Bhatia Wine Merchants Private Limited

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	47.31 (Reduced from 51.85)	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For arriving at the ratings, CARE Ratings Limited (CARE Ratings) has taken a combined view of the operational and financial profiles of Bhatia Wine Merchants Pvt Ltd (BWM) and Golden-Prince Wines India Private Ltd (GPW), collectively referred as 'Group' due to the managerial, operational, and financial linkages between the two entities.

The rating assigned to the bank facilities of Bhatia Wine Merchants Private Limited (BWM) continues to derive strength from long experience and track record of the Group in liquor industry along with established clienteles, satisfactory capacity utilisation, high entry barriers in liquor industry, improved financial performance in FY24 (refers to the period April 1 to March 31) albeit with moderated operating margins and satisfactory capital structure and modest debt coverage metrics. The rating is, however, constrained by profitability susceptible to volatility in input prices, working capital intensive nature of operations and exposure to group companies.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in the scale of operations as marked by annual total operating income (TOI) of above ₹400 crore for the group on a sustained basis.
- Improvement in profitability marked by PBILDT > 12% on a sustained basis.

Negative factors

- Any major regulatory development that would impact the credit profile of the company negatively on a sustained basis.
- Major debt funded capex leading to deterioration in capital structure with overall gearing above 1.5x on a sustained basis.

Analytical approach: Combined

For arriving at the ratings, CARE Ratings has combined the business and financial risk profiles of Bhatia Wine Merchants Pvt Ltd (BWM) and Golden-Prince Wines India Private Ltd (GPW), as these companies are engaged in similar line of operations under a common management and have financial and operational linkages.

Outlook: Stable

Stable outlook reflects the ability of the combined entity to sustain healthy operating performance and profitability over the medium term.

Detailed description of key rating drivers:

Key strengths

Long experience and track record of the group in liquor industry along with established clienteles: The Bhatia group of Bilaspur (Chhattisgarh) is a well-established regional player in the liquor industry, boasting over four decades of experience. The group is involved in bottling, manufacturing, and selling Indian Made Foreign Liquor (IMFL) and country liquor (CL), with manufacturing facilities located in Chhattisgarh and Odisha. BWM began operations in June 2007 with a manufacturing unit in Saragaon (Bilaspur). Meanwhile, GPW started in 2003, setting up an IMFL manufacturing unit in Sirgitti (Bilaspur) and another unit in Chandikhol (Paradeep), Odisha in FY17.

The group's extensive experience and moderate capacity have positioned it as one of the few entities in Chhattisgarh with the necessary licenses for producing CL and IMFL. The group's revenue primarily comes from catering to the needs of Chhattisgarh State Marketing Corporation Limited (CSMCL), Chhattisgarh State Beverages Corporation (CSBC), and Odisha State Beverages Corporation of India (OSBCI), accounting for 90-95% of its sales. The government enters into annual contracts with state distillers for the supply of country liquor. Additionally, the group bottles IMFL for Radico Khaitan Ltd, Pernod Ricard India Pvt Ltd, Allied Blenders & Distilleries Pvt Ltd, and Jagatjit Industries Ltd under contractual agreements.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Furthermore, in reference to BWM's reference in media report related to the on-going investigation by the ED in Chhattisgarh, CARE Ratings will continue to closely observe the unfolding of events in the near to medium term.

Satisfactory capacity utilization (CU): The CU for the spirit manufacturing plant which stood at 84% in FY23 remained fairly at similar levels at ~82% despite the state legislative elections affecting the operations; in 6MFY25, the utilisation has been low at 62% on account of Lok Sabha elections and revision in retail rates by the government leading to lower consumer demand. However, under the bottling business, the CU improved to ~89% in FY24 (PY: 87%) and in 6MFY25, the utilisation has sustained at 83%. The CU is expected to remain around current levels in near to midterm.

High entry barriers owing to high regulation and capital intensity: The organized alcohol industry is predominantly controlled by a few major players. The government imposes various duties such as excise duty, sales tax, license fees, and countervailing duty, which differ from state to state. State-level regulations are subject to unexpected changes, exposing the industry to regulatory risks. Additionally, there is a nationwide ban on all forms of direct and indirect liquor advertising, prompting market players to use surrogate advertising. As a result, the high level of regulation and significant capital requirements make it challenging for new entrants to operate in this environment, giving existing players a competitive edge.

Improvement in financial performance in FY24 and H1FY25: In FY24 the group registered over 7% growth in its revenues and the same stood at Rs 342 crores (PY: Rs. 319 crores). The margins, however, have continued to remain moderate in FY24 at 8.19% (PY: 8.44%) owing to fluctuations in raw material prices, which could not be passed on to customers immediately, especially for country liquor which is sold to government at the contract prices which are set at the beginning of the year.

In 6MFY25, the group has reported estimated healthy revenues around of Rs. 158 crores after netting off Duties, Taxes and interparty transactions. PBILDT and PAT has remained at steady levels in 6MFY25 at 9.78% & 2.84% respectively, and it is expected to remain similar levels in the near future.

Satisfactory capital structure and modest debt coverage metrics: The capital structure improved in FY24 marked by a debt equity ratio of 0.18x and overall gearing of 0.85x as on March 31, 2024 (as against 0.33x and 1.01x as on March 31, 2023). The improvement was largely on account of accreditation in net worth and timely servicing of debt obligations in FY24 and repayment of a substantial portion of unsecured loans. TD/GCA improved to 6.70x as on March 31, 2024 as against 7.63x as on March 31, 2023; however, continued to remain high on account of highly utilised working capital limits.
The gearing levels though is expected to moderate a little in the short term due to the planned debt laden capex, the same is expected to remain comfortable in short to medium term.

Key weaknesses

Profitability susceptible to volatility in input prices: The group sources raw materials such as grains, ENA, glass bottles, and packing materials from the market at spot rates, which are inherently volatile. In FY24, raw material costs made up approximately 74% (previous year: 73%) of the group's total sales costs. Any increase in raw material prices could negatively impact the company's profitability, as the prices of finished goods are regulated by the government.

Exposure to group companies: The group has exposure to other related group companies in the form of loans and advances as well as investments. The said exposure stood at Rs.29.30 crores as on March 31, 2023, and has grown to Rs.32.43 crores which is ~29% (~26% as on March 31, 2023) of its net worth as on March 31, 2024.

Working capital intensive nature of operation: The group's operation is working capital intensive in nature as it has to offer credit period for 30-45 days to its customer which primarily includes state owned corporations and has a policy to maintain inventory for about two months. Thus, the group must rely upon the bank borrowings to fund its working capital requirement. However, the group's operating cycle improved from 48 days in FY23 to 41 days in FY24 on account of better collection period which improved from 46 days in FY23 to 32 days in FY24.
The average utilization of working capital borrowings was high at ~99% during the last twelve months period ended October 2024 for GPW and ~97% for BWM.

Project risk: The group is in the process of incurring a total capex of around Rs. 50 crores to enhance its ENA capacity from current 60 KLPD to 120 KLPD along with facility upgradation, out of which it has already expended around Rs. 28 crores in FY24. In FY25, the group has taken a term loan of Rs.18.26 crores and the project are expected to achieve its COD in Sep'25. The expansion will be carried out in the existing premises.

The group is also contemplating to incur capex in the medium to long term, though the same is majorly in the planning stage. Under the said expansion, the group under BWM, plans to start a 120 KLPD convertible ENA plant in Orissa.

Liquidity: Adequate

The group's operation is working capital intensive in nature, and it is largely dependent upon the bank borrowings to fund its working capital requirement. The maximum utilization of working capital borrowings was high at ~99% during the last 12 months period ended October 2024 for GPWIPL & ~97% for BWMPL. The combined GCA stood at Rs.15.63 crores in FY24 against which it had debt repayment obligations of Rs. 9.43 crores. In current year the overall repayments are estimated at Rs. 4.36 crores against which the group is expected to generate sufficient cash accruals. Further, the free cash and bank balance of Rs 5.36 crores as of FY24 end provides further cushion to the liquidity position of the group.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Beverages	Breweries & Distilleries

Incorporated in 1997, Bhatia Wine Merchants Pvt Ltd (BWM) is promoted by the Bhatia group of Bilaspur (Chhattisgarh) is engaged in bottling, manufacturing, and sale of Country Liquor (CL) and Indian Made Foreign Liquor (IMFL) with manufacturing facility located at Saragaon (Bilaspur), Chhattisgarh. The manufacturing unit has a capacity of producing 18,000,000 Litres Per Annum (LPA) of Extra Neutral Alcohol (ENA) and around 5,500,000 cases of CL and IMFL annually.

Incorporated in 2001, Golden-Prince Wines India Pvt Ltd (GPW) is also promoted by the Bhatia group of Bilaspur (Chhattisgarh). The company is engaged in bottling, manufacturing, and sale of Indian Made Foreign Liquor (IMFL) with 3 CARE Ratings Ltd. Press Release manufacturing facility located at Sirgitti (Bilaspur) Chhattisgarh and Chandikhol (Paradeep), Odisha. The total bottling capacity of the company stands at 1,524,440 cases annually. GPW purchases a part its ENA requirement from BWM.

Combined Brief Financials (₹ crore) *	March 31, 2023 (UA)	March 31, 2024 (UA)	H1FY25 (UA)
Total operating income	318.91	341.75	157.67^
PBILDT	26.92	27.98	15.42
PAT	8.88	9.57	-
Overall gearing (times)	1.01	0.85	-
Interest coverage (times)	2.53	2.65	-

*Combined unaudited financials (UA) of BMW and GPW; Note: these are latest available financial results
^Revenue after netting off Duties & Taxes and interparty transactions.

Standalone Brief Financials (₹ crore) *	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	241.03	258.94	162.23^
PBILDT	17.10	18.34	10.60
PAT	5.64	6.31	-
Overall gearing (times)	0.81	0.70	-
Interest coverage (times)	2.79	2.96	-

*Standalone audited (A) financials of BMW; Note: these are latest available financial results
^Gross revenues without netting off duties and taxes

Status of non-cooperation with previous CRA: India Ratings has conducted the review on the basis of best available information and has classified BMW as "Not cooperating" vide its press release dated July 14, 2024. The reason provided by India Ratings is non-furnishing of requisite information for monitoring of ratings.

CRISIL Ratings has conducted the review on the basis of best available information and has classified BMW as "Not cooperating" vide its press release dated February 19, 2024. The reason provided by CRISIL Ratings is non-furnishing of requisite information for monitoring of ratings and non-submission of NDS for the last three months.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	45.76	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	March 2025	1.55	CARE BBB-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	1.55	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Feb-24) 2)CARE BBB-; Stable (30-May-23)	1)CARE BBB-; Stable (31-Mar-23)	1)CARE BBB-; Stable (16-Mar-22)
2	Fund-based - LT-Cash Credit	LT	45.76	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Feb-24) 2)CARE BBB-; Stable (30-May-23)	1)CARE BBB-; Stable (31-Mar-23)	1)CARE BBB-; Stable (16-Mar-22)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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