Blossom Industries Limited

April 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	74.98 (Reduced from 80.00)	CARE BBB-; Stable	Reaffirmed
Long-term / Short-term bank facilities	2.00	CARE BBB-; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Blossom Industries Limited (BIL) continue to derive strength from its experienced promoters in the alcohol industry, established manufacturing facilities with a captive power plant, and long-standing contract manufacturing arrangement with United Breweries Limited (UBL). Ratings also derive strength from group's healthy profit margins, comfortable leverage and debt coverage indicators, favourable outlook for alcoholic beverages in India, and group's adequate liquidity.

However, ratings are constrained considering group's moderate scale of operations, risk associated with timely renewal of off-take agreements, and its presence in a highly regulated liquor industry characterised by heavy duties & taxes and stringent government controls, exposing it to probable adverse regulatory changes. Ratings also consider BIL's debt-funded project risk and significant exposure in the form of loans and advances to unrelated party.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in group's scale of operations with a total operating income (TOI) of above ₹350 crore while maintaining its existing profitability on a sustained basis.
- Improvement in capital structure of the group marked by adjusted overall gearing (adjusted for exposure to loans to unrelated party) reaching below unity level on a sustained basis.

Negative factors

- Any major adverse changes in contract terms with UBL or termination of agreement with UBL, impacting group's financial risk profile.
- Significant decline in group's TOI below ₹300 crore or profitability with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin below 12% on a sustained basis.
- Deterioration in the debt coverage indicators with total debt /PBILDT exceeding 2.5x on a sustained basis.
- Significant elongation of working capital cycle / non-realisation or further extension of loans & advances to unrelated party impacting the liquidity position of the company.

Analytical approach: Combined

For arriving at ratings of BIL, CARE Ratings Limited (CARE Ratings) has taken a combined view of BIL and its trading arm, K. H. Khemani & Sons (KHKS) as these entities operates under common management and have significant financial and operational linkages (KHK caters primarily Diu and Daman, Dadra and Nagar Haveli and Silvasa market for beer, which is manufactured by BIL). They are together referred as "Blossom group Or Group".

Outlook: Stable

The "stable" outlook on the long-term ratings reflects CARE Ratings' expectations that BIL shall be able to sustain its comfortable financial risk profile and grow its scale of operations due to its association with UBL and experienced promoter group.

Detailed description of key rating drivers:

Key strengths

Experienced promoter group and established presence in the industry

The Blossom group is promoted by the Khemani Family, including Amit Khemani, the Managing Director, possessing vast industrial experience for over two decades in the liquor manufacturing industry. Nihar Jambusaria is the chairman of the company. The promoters of group are well assisted by Vincent Vaz, who serves as the group CFO and has an experienced second line of management. The group is supported by technically qualified second-tier personnel who look after day-to-day operations of the group.

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

Long track record having established manufacturing facilities
BIL has over two decades of track record of operations in manufacturing beer at its brewery facility at Daman (U.T.) with the latest technology and machineries, which enabled the company to cater to the growing demands of both Indian and overseas markets. It is equipped with fully automatic mash filter, automated system to control temperature, and CIP cycles in fermentation and lagering process. The deaeration plant is brought in from Norit (Netherlands) where BIL uses the deaerated water for various process applications to ensure that the dissolved oxygen level in the beer remains low reducing the oxidation of beer. BIL has two types of packaging lines, Bottle Line and Can Line. The bottling line has the capacity to produce four lakh cases per month, whereas the Can line has the capacity to produce six lakh cases per month. BIL has an Effluent Treatment Plant (ETP) with an installed capacity of 1,250 kilo litre per day (KLPD), which lowers the risk associated with environment. The capacity utilisation stood at 57.49% in FY24 (PY: 61.75%) and 67.09% in 9MFY25.

Sales arrangements in form of contract manufacturing with UBL and other brands
BIL has entered license agreement for manufacture and sale of beer with UBL for its brands since 2000 Currently, BIL registered label of beers of UBL and its own brand of beer with Commissioner of Excise, to manufacture and sell the same. The contract has been extended till March 2026.
BIL procures raw materials and packing materials (of such quality and quantity specified by brand owners) from the suppliers as specified by UBL and per the terms finalized by UBL with them. BIL produces beer per the formulae, process, methods & standards of quality as prescribed by UBL for which the technical experts remain present in the manufacturing of beer. BIL sells beer to the customers as specified by UBL at a prescribed price and the risk of collection from customers lies with UBL.
The agreement entered with UBL remains valid for two-three years and the same get renewed annually to revise the conversion rates. The latest agreement with UBL is valid till Mar-2026 for volume commitment of offtake of 90.00 lakh cases from Jan-2025 to Dec-2025.
In December 2019, BIL had launched new brand, 'TAG', and started its production and sales from FY20 onwards. In FY22, BIL commenced production of non-alcoholic beverages. In FY24, an agreement was made between BIL, The Coca Cola Company (TCCC) and Schweppes Holding Ltd. (SHL) for ARTD (Alcoholic Ready to Drink) products. There was also an agreement between BIL and Pernod Ricard India Pvt. Ltd. (PRIPL) for non-alcoholic beverages (NAB) products.

Moderate scale of operations with healthy profit margins
The scale of operations of Blossom group remained moderate marked with TOI stood in the range of ₹240-350 crore in the last five years ending FY24. In FY24, TOI stood at ₹341.93 crore against TOI of ₹343.73 crore in FY23. The stagnancy in the revenue was due to restrictions imposed in Q4FY24 by government due to general elections being held in the following months. Raw material prices had also moderated in the past financial year leading to marginal improvement in the profitability marked by PBILDT margin of 17.25% in FY24 (16.29% in FY23). Similarly, the profit after tax (PAT) margin also improved in line with PBILDT margins to 10.16% in FY24 (9.02% in FY23).
In 9MFY25, the group's TOI stood at ₹304.06 crore with PBILDT and PAT margins of 16.03% and 8.23%, respectively. The company expects its revenue to increase in the near-to-medium term on the back of additional tie up with new customers and increase in the off-take from UBL. The group's operating profitability is expected to remain healthy between 16% and 18% in the projected periods.

Comfortable gearing and debt coverage indicators
Blossom group's overall gearing slightly moderated though remained comfortable at 0.32x as on March 31, 2024, against 0.28x as on March 31, 2023, due to higher utilisation of its working capital limits as on balance sheet date. The same further deteriorated to 0.65x as on December 31, 2024, due to capital withdrawals of ₹47 crore made under the group entity, KHKS, to meet the personal continencies of the promoters which was funded through a dropline OD of ₹45.00 crore availed by KHKS. The capital structure is expected to slightly deteriorate though comfortable in the near term.
However, the adjusted overall gearing (after adjusting exposure to unrelated party) moderated to 1.66x as on March 31, 2024 (against 1.13x as on March 31, 2023). The same has further deterioration to ₹4.53 crore due to significant withdrawal from its partnership firm and additional debt availed to fund the withdrawal of capital.
Debt coverage indicators slightly moderated despite remained comfortable marked by total debt to gross cash accruals (TD/GCA) of 1.31x in FY24 (PY: 0.96x), while the interest coverage improved to 10.43x in FY24 (PY: 7.43x). Total debt to PBILDT stood at comfortable at 1.10x in FY24 (PY1.10). The interest coverage moderated to 7.35x in 9MFY25 due to increase in interest cost against addition in total debt availed by the company.

Geographically diversified sales territory
BIL has geographically diversified its revenue profile with domestic sales contributing ~70-80% and export sales contributing ~20-30% (on average basis) of TOI in past three years ending FY24. In domestic market, it majorly caters Daman, Diu, and Silvassa market, where it receives high sales realisation from UP market due to levy of high duty rates. Despite export sales, BIL is not exposed to the forex fluctuation risk, as it undertakes the exports on behalf of brand owners and collects revenue from them in Indian currency (at fixed rates per agreement).

Favourable prospects for alcoholic beverage market in India
India is the 10th largest alcoholic beverage's producers and the third-largest liquor market in the world. Key demand drivers of the industry have been growing disposable income, favourable demographics in the country, changing lifestyle & societal norms

with increasing acceptability of alcohol on social occasions, urbanisation and increasing number of pubs and bars in the country. Amidst the Blossom group has established position to supplies of liquor in Daman, Diu, and Silvassa and no concrete decision to ban alcohol in the Union Territory (UT), it is well positioned to cater to the growing consumer demand in the UT.

Key weaknesses

Highly regulated business with high duties and taxes despite high entry barriers benefitting the incumbents

The Liquor industry is highly regulated in India with each State government formulating its own policy for production, distribution, retailing and duty structure independently. As a result, there are difficulties in transfer of production from one state to another, and huge burden of duties and taxes. Moreover, the organised alcohol industry is dominated by few large players. High taxation and heavy regulation also make the industry dynamics complex. Government levies duties such as excise duty, sales tax, license fee, state level import and export duty, bottling fee, welfare levy, assessment fee, franchise fee, turnover tax, and surcharge among others, which varies from state to state. There is a ban on all forms of direct and indirect advertising for liquor in the country, leading to market players resorting to surrogate advertising. Moreover, the complexity of the industry further lies in the different types of distribution models followed in states such as government-controlled agencies, private distribution system, and auction. The regulations at State levels are prone to frequent changes and be sudden and uncertain. The direction or timing of regulatory changes being difficult to predict, industry is vulnerable to such unanticipated changes. In the recent past, few state governments have also banned sale of liquor in their state, including Bihar government in September 2016. The Government has been running anti-alcohol campaigns to increase social awareness among people on hazards of consumption of alcohol and also increased duty on alcohol to refrain people from consuming it.

Thus, given the strategic role of state government in the liquor industry, the company remains exposed to risks associated with regulatory changes. Liquor policies governing production and sale are entirely controlled by respective State Governments. With all the alcohol-consuming States/Union Territories having its own rules and regulations, it is difficult for new entrants to get licenses thus providing a competitive edge to existing players. However, the states have been reasonably flexible in granting expansion of existing capacity to meet demands. This acts in favour of incumbents as new players find it difficult to start.

Large-size exposure in form of loans and advances to unrelated party

BIL had extended loans and advances of ₹112.90 crore to Shree Naman Developers Private Limited, a real estate developer based out of Mumbai. As on March 31, 2024, the outstanding amount including the accrued interest stood at ₹124.99 crore (₹112.81 crore in FY23). in FY25, the company has received ₹10 crore against the same which adjusted against interest. The outstanding exposure stood at ₹127.82 crore as December 31, 2024. BIL had extended these loans by liquidating its fixed deposits of ~₹60 crore, mutual funds investment of ₹17.30 crore and balance through internal accruals generated in FY20. Considering the given exposure is significant against the net worth base of the Blossom group (76% of tangible net worth [TNW] of group as on March 31, 2024), the recoverability of the same remains key credit monitorable.

Liquidity: Adequate

BIL's liquidity remained adequate marked by moderate utilisation of combined fund-based working capital limits with average utilisation stood at 45.47% and average of maximum utilisation stood at 56.81% for the past 11 months ended February 2025. The group is expected to generate sufficient cash accruals in the range of ₹50-60 crore to meet the combined debt repayment obligations of ₹8.33 for FY25 and ₹15.44 crore for FY26. Group also has free cash and bank balances of ₹16.00 crore as on December 31, 2024. The operating cycle of the group improved marginally and stood comfortable at 30 days in FY24 (against 31 days in FY23). The current ratio and quick ratio remained comfortable at 2.36x as on March 31, 2024 (2.77x as on March 31, 2023) and 1.87x as on March 31, 2024 (2.28x as on March 31, 2023). The cash flow from operations stood positive at ₹25.36 crore in FY24 (₹58.21 crore in FY23).

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast-moving consumer goods	Fast-moving consumer goods	Beverages	Breweries & distilleries

BIL is a Daman (U.T.)-based closely held public limited company, which was acquired by the Khemani family in 2000. BIL was originally incorporated in 1989 as Blossom Breweries Private Limited. Presently, BIL is a part of Khemani group formed in 1983. BIL is engaged in manufacturing beer at its brewery facility at Daman with an installed capacity of ~120 lakh cases per annum (10 lakh hectolitres [HL]). In 2004, BIL has entered license agreement for manufacturing and selling beer with UBL. In FY23, the company has entered license agreement for packers agreement of ARTD with The Coca Cola Company (TCCC) and Schweppes Holding Limited (SHL). The sale and distribution network of BIL is backed by group's own trading firm, M/s. K. H. Khemani & Sons (KHK), which is an authorised distributor of beer of UBL, catering to Daman &Diu and Silvassa market.

Brief Financials – Combined:

Brief Financials (₹ crore)	March 31, 2023 (UA)	March 31, 2024 (UA)	December 31, 2024 (UA)
Total operating income	343.73	341.93	304.06
PBILDT	56.00	59.00	48.74
PAT	31.00	34.73	25.03
Overall gearing (times)	0.28	0.40	0.65
Interest coverage (times)	7.43	10.44	7.35

A: Audited UA: Unaudited; Note: these are latest available financial results

Brief Financials – Standalone:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	307.79	305.17	277.44
PBILDT	21.20	23.13	22.35
PAT	27.10	24.64	19.53
Overall gearing (times)	0.21	0.29	0.22
Interest coverage (times)	2.81	4.17	5.09

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	February 2029	44.98	CARE BBB-; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	2.00	CARE BBB-; Stable / CARE A3

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	44.98	CARE BBB-; Stable	-	1)CARE BBB-; Stable (29-Mar-24)	1)CARE BBB-; Stable (31-Jan-23)	1)CARE BBB-; Stable (25-Mar-22) 2)CARE BBB-; Stable (09-Apr-21)
2	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (29-Mar-24)	-	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	2.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (29-Mar-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short 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
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	K.H. Khemani & Sons	Full	Operational and financial linkages

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.

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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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