

Brindavan Bottlers Pvt. Ltd.

April 18, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities (Fund based)	20.00	CARE BBB+; ISSUER NOT COOPERATING (TRIPLE B PLUS; ISSUER NOT COOPERATING)	Issuer not cooperating
Long term Bank Facilities (Term Loan)	61.45	CARE BBB+; ISSUER NOT COOPERATING (TRIPLE B PLUS; ISSUER NOT COOPERATING)	Issuer not cooperating
Total Facilities	81.45 (Rupees Eighty One crore and Forty Five lakh only)		

¹Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Brindavan Bottlers Private Limited (BBPL) to monitor the rating vide e-mail communications/ letters dated February 16, 2017, February 22, 2017, February 25, 2017 & February 27, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. Further, BBPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines CARE's rating on Brindavan Bottlers Private Ltd.'s bank facilities will now be denoted as **CARE BBB+; ISSUER NOT COOPERATING**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

At the time of last rating on May 13, 2016 the following were the rating strengths and weaknesses.

Key Rating Strengths

Experienced promoters and management team: BBPL was incorporated in 1985 by Mr. S N Ladhani and Mr. Mohan Das Ladhani. The Ladhani family was earlier bottlers for Parle. The Ladhani's bottling plants in Uttar Pradesh for Coca Cola were divided amongst the four brothers after the division of family business in 1995. Mr. Mohan Das Ladhani has taken charge of BBPL since the division of family business and has nearly three decades of experience in the bottling business. He has further diversified into other business ventures, viz. real estate and vehicle financing. He is well supported by an experienced and professional management.

Long-standing relationship and exclusivity of operations: BBPL shares long-term relationship with Coca Cola India. The company is engaged in manufacturing soft drinks under the Coca Cola brand name since 1993 and has exclusivity of operations in seven districts of Uttar Pradesh- Rae Bareilly, Barabanki, Sitapur, Hardoi, Jhansi, Lalitpur and Lucknow. Its franchise agreement with Coca Cola India was renewed in September, 2013 for tenure of five years.

Well established distribution network: BBPL has a well-established distribution network of around 300 distributors spread across allocated districts in Uttar Pradesh. The company mostly routes its sales through its own five depots. Through these depots, sales are further routed to retail outlets, some of the key outlets being Big Bazaar, Easy Day, McDonalds, Spencers etc. Apart from that, company also makes direct factory sales to small shops and retailers. Further, the company has a fleet of 42 vehicles (40 trucks owned & 2 leased vehicles).

Co-pack bottling arrangement and support from Coca Cola (Atlanta, Georgia) for Unnao Plant: The company has entered into co-packing arrangement with Hindustan Coca Cola Beverages Private Limited (HCCBPL) for its production from the Unnao plant. As agreed by Coca Cola Company, whatever negative cashflows will arise at the end of financial

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

year in Unnao plant, it will be funded by Coca Cola Company in the form of unsecured loans till BBPL achieves positive cash-flows. However, the company has generated positive cash flows from Unnao uptill December 2015. In FY15, the company sold a part of its PET water line at Unnao plant facilities to Coca Cola for a consideration of Rs.45.50 crore (approx.) while fixed assets of CSD Line have also been taken over to the extent of Rs. 14 crore in FY16, out of which it prepaid its bank loans.

Industry prospects: The non-alcoholic beverage industry in India is primarily dominated by two major cola brands, one of them being Coca Cola. Increasing penetration in the rural areas will contribute to considerable growth to the bottling industry. However, with rising health consciousness of the customers the growth in future is expected to come from non-aerated beverages. In FY15, BBPL derived around 22% revenue from sale on non-aerated beverages (Juices and Water).

Key Rating Weaknesses

Moderate financial profile: During FY15, BBPL operating income has grown at a compounded annual growth of approximately 32% over the period of three years ended March 31, 2015. During FY15, its total operating income registered a Y-o-Y growth of around 22% to Rs.224.18 crore led by growth in sales volume and increase in co-packing income. PBILDT margins improved to 15.19% in FY15 (11.81% in FY14) owing to improved efficiencies and reduced overhead costs with increase in volumes resulting in increase in Gross Cash Accruals to Rs. 27.01 crore in FY15 (Rs.15.70 crore in FY14). Overall gearing ratio however remained high at 2.67x as on March 31, 2015 (FY14 2.47x) on account of debt funded capex incurred by the company at Unnao Plant. Interest coverage stood at 4.63x for FY15 with total debt to Gross Cash Accruals of 4.49x as on March 31, 2015.

During 9MFY16 (UA; refers to period from April 1 to December 31), the company has achieved net sales of approximately Rs.191.1 crore and PBT of Rs.9.50 crore.

Low bargaining power over raw material prices: BBPL's major raw material requirement is of concentrate (which is sourced from Coca Cola India) and Sugar (procured locally), which normally account for around 35% and 25% respectively of total raw material consumption. The company has low bargaining power over raw materials as sugar is bought locally at prevailing market rates which is governed by factors external to the company, while BBPL sources concentrate from its sole supplier Coca Cola India.

Seasonal nature of business and susceptibility to regulatory changes and consumers' preference: The company's nature of business is seasonal, and most of the sales are in the summer season. March to July period account for 70%-80% of the total annual sales. During the peak season of March-July, the company operates at its full capacity. The business is also susceptible to changing health preferences of consumers towards healthier products like juices.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology-Manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)

About the Company

BBPL, incorporated in year 1985 and promoted by Mr.Mohan Das Ladhani, holds exclusive bottling and distribution franchisee for carbonated soft drinks and ready to serve fruit juice (Maaza) of The Coca Cola Company Limited (TCCC) in seven districts of Uttar Pradesh namely, Rae Bareilly, Barabanki, Sitapur, Hardoi, Jhansi, Lalitpur and Lucknow, production for which is carried out from the Barabanki Plant which has installed capacity of 700BPM (Bottles Per Minute) of RGB (Returnable Glass Bottles), 300BPM of Maaza and 200 BPM of CSD PET Line. It also holds a co-packing arrangement with HCCBPL (subsidiary of TCCC) for manufacturing of packaged drinking water under 'Kinley' brand and carbonate soft drinks which is undertaken from the Unnao Plant having installed capacity of 600BPM of PET water line and 600BPM for PET CSD line commissioned in September, 2013 and July 2015 respectively. Further, BBPL operates one wind mill of 800 KW capacity in Jaisalmer (Rajasthan). Alongside, it is operating three wind mill generators of 1250 KW each at Jaisalmer (Rajasthan) and Dhule & Nandurbar (Maharashtra).

During FY15 (refers to the period April 1 to March 31), BBPL has registered a total operating income of Rs.224.15 crore with PAT of Rs.1.98crore against a total income of Rs.184.10crore and net loss of Rs. 4.49crore during FY14.

During 9MFY16 (Prov.; refers to the period April 1 to December 31), the company has achieved a total income of Rs.191.10 crore with PBT of Rs.9.50 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2022	61.45	CARE BBB+; ISSUER NOT COOPERATING
Fund-based - LT-Working Capital Limits	-	-	-	20.00	CARE BBB+; ISSUER NOT COOPERATING

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	61.45	CARE BBB+; ISSUER NOT COOPERATING	-	1)CARE BBB+ (13-May-16)	1)Suspended (07-October-15) 2)CARE BBB+ (29-April-15)	1)CARE BBB+ (10-September-14)
2.	Fund-based - LT-Working Capital Limits	LT	20.00	CARE BBB+; ISSUER NOT COOPERATING	-	1)CARE BBB+ (13-May-16)	1)Suspended (07-October-15) 2)CARE BBB+ (29-April-15)	1)CARE BBB+ (10-September-14)

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CIN - L67190MH1993PLC071691