

March 31, 2024

Devi Innoventures LLP: [ICRA]BB (Stable)/[ICRA]A4 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term- Term loans	81.10	[ICRA]BB (Stable); assigned
Short-term-Non fund based – Letter of credit	5.00	[ICRA]A4; assigned
Long-term- Cash credit	45.00	[ICRA]BB (Stable); assigned
Long-term- Unallocated	8.90	[ICRA]BB (Stable); assigned
Total	140.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings assigned to the bank facilities of Devi Innoventures LLP (Devi/LLP) factor in the LLP's established business position in Indian made foreign liquor (IMFL) glass bottle manufacturing. Devi's credit profile is expected to be supported by the favourable demand outlook, and its long-standing relationship with customers, and its healthy market share for the product in Tamil Nadu. The LLP's operating income grew by 97.5% YoY to Rs. 180.2 crore and by 50.4% (on an annualized basis) to Rs. 203.2 crore in 9M FY2024, aided by healthy demand and operational efficiencies that stemmed from upgradation of the plant and machinery in FY2023. The operating margins were also healthy at 14.2% in FY2023 and 19.0% in 9M FY2024, supported by topline growth and operational efficiency that stemmed from upgradation activities undertaken. The demand outlook for IMFL remains healthy over the medium term, supported by favourable demographics, rising disposable incomes and increasing consumption. This, along with increase in Devi's capacities, would drive revenue growth for the LLP over the medium term.

The ratings, are however, constrained by the LLP's relatively high debt level for its scale of operations, which has resulted in moderate capital structure and coverage metrics. Devi's Total debt/OPBITDA was 4.4 as on Dec 31, 2023 while its interest coverage was 4.4 times in 9M FY2024. The LLP has capex plans of over Rs. 250 crore in FY2025-FY2026, with a large part of it expected to be funded through debt. This is expected to moderate the coverage metrics in the next few years. The promoters have other group entities involved in old bottles recycling and other related businesses, with whom the LLP has significant transactions. Also, akin to other LLPs, Devi is exposed to the risk of capital withdrawal and has weak disclosures. Further, the LLP has over 90% of its sales concentrated in Tamil Nadu, which exposes it to region-specific risks. Devi derived over 90% of its sales from top 6 customers in FY2023. Thus, its performance is susceptible to underperformance by customer loss of business to competition. However, the LLP's established market position and long-standing relationship with customers mitigates the risk to an extent.

Key rating drivers and their description

Credit strengths

Established presence and strong market position – Devi Innoventures LLP is promoted by Mr. V.S. Natarajan, who has over four decades of experience in liquor glass bottle manufacturing. The LLP has long-standing relationships with its customers, who are IMFL manufacturers in Tamil Nadu. ICRA understands that Devi holds majority market share in IMFL glass bottle manufacturing in the state. The business has relatively high capital intensity and entry barriers, resulting in limited competition.

Healthy improvement in revenues in the last two years and favourable demand outlook; healthy operating margins in FY2023 and 9M FY2024 - The LLP's operating income grew by 97.5% YoY to Rs. 180.2 crore and by 50.4% (on annualized basis) to Rs. 203.2 crore in 9M FY2024, aided by healthy demand and operational efficiencies that stemmed from upgradation of

plant and machinery in FY2023. The operating margins were healthy at 14.2% in FY2023 and 19.0% in 9M FY2024, supported by topline growth and operational efficiency that stemmed from upgradation activities undertaken. The demand outlook for IMFL remains healthy over the medium term, supported by favourable demographics, rising disposable incomes and increasing consumption. This, along with increase in Devi’s capacities, would drive revenue growth for the LLP over the medium term.

Credit challenges

Moderate debt metrics; debt-funded capex in the pipeline – Devi has relatively high debt levels for its scale of operations, which has resulted in moderate capital structure and coverage metrics. Devi’s Total debt/OPBITDA was 4.4 as on Dec 31, 2023 while its interest coverage was 4.4 times in 9M FY2024. The LLP has capex plans of over Rs. 250 crore in FY2025-FY2026, with a large part of it expected to be funded through debt. This is expected to moderate the coverage metrics in the next few years.

High geographic and customer concentration – The LLP has over 90% of its sales concentrated in Tamil Nadu, exposing it to region-specific risks. Also, it derived over 90% of its sales from top six customers in FY2023. Thus, its performance is susceptible to underperformance by customer loss of business to competition. However, the LLP’s established market position and long-standing relationship with customers mitigates the risk to an extent.

Significant related party transactions; weak disclosures akin to other LLP – The promoters have other Group entities involved in old bottles recycling and other related business, with whom the LLP has significant transactions. Also, akin to other LLPs, Devi is exposed to risk of capital withdrawal and has weak disclosures.

Liquidity position: Stretched

The LLP’s liquidity position is stretched with relatively high working capital utilization of over 95% for the period October 2022 to November 2023 against sanctioned limits. Devi also had minimal unencumbered cash and bank balances of Rs. 0.2 crore as of December 31, 2023. Against these sources of cash, the LLP has debt repayment of Rs. 12 crore each in FY2025 and FY2026 on existing loans. Further, it has significant capex plans of over Rs. 250 crore in FY2025-FY2026, towards solar power plant, factory capacity expansion and maintenance capex, with a large part of it expected to be funded through debt. The promoters are expected to provide timely and adequate financial support to Devi for meeting this, as and when required.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the LLP is able to improve its debt coverage metrics and liquidity position on a sustained basis. Specific metrics that could lead to an improvement in rating include DSCR above 1.4 times, on a sustained basis.

Negative factors – ICRA could downgrade the ratings, if there is sustained decline in earnings or sharp rise in debt levels, leading to deterioration in coverage metrics and liquidity position. Absence of timely and adequate fund infusion by the promoters when required, could also be a negative trigger. Specific metric for a rating downgrade includes Interest coverage below 2.0 times on sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the LLP

Devi Innoventures LLP (Devi/LLP) is into manufacturing glass bottles for Indian-made Foreign Liquor (IMFL) players. The LLP is promoted by Mr. V.S. Natarajan, who has been in the field since 1978. The promoter was engaged in old bottles sales until 2017, post which the glass bottle manufacturing plant (through which Devi currently operates) in Pondicherry was taken on lease from Mohan Breweries & Distilleries Limited (MBDL), through the LLP. While it operated as a leased facility from 2018 to 2021, the plant was acquired on a slump sale in February 2022. The land which houses the plant was bought from MBDL by the promoter in January 2024. The LLP currently has a 260 MTPA and 90% of its sales is concentrated in Tamil Nadu. Apart from Devi, the promoter has interest in other businesses including old bottle recycling, hospitality and ethanol manufacturing.

Key financial indicators (audited)

Standalone	FY2022	FY2023
Operating income	91.3	180.2
PAT	4.8	7.8
OPBDIT/OI	11.5%	14.2%
PAT/OI	5.3%	4.3%
Total debt/OPBDIT (times)	15.0	9.6
Total outside liabilities/ Tangible net worth (times)	2.2	3.0
Interest coverage (times)	8.0	3.2

Source: LLP, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the LLP in some instances;

Status of non-cooperation with previous CRA

CRA	Status	Date of Release
CRISIL	CRISIL/BB-/Stable/CRISIL A4+; ISSUER NOT COOPERATING	February 26, 2024

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				March 31, 2024	-	-	-
1 Term loans	Long term	81.10	81.10	[ICRA]BB (Stable)	-	-	-
2 Non fund based – Letter of credit	Short-term	5.00	-	[ICRA]A4	-	-	-
3 Cash credit	Long-term	45.00	-	[ICRA]BB (Stable)	-	-	-
4 Unallocated	Long-term	8.90	-	[ICRA]BB (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term- Term loans	Simple

Short-term-Non fund based – Letter of credit	Very Simple
Long-term- Cash credit	Simple
Long-term- Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term- Term loans	FY2022	10.75%	FY2031	81.10	[ICRA]BB (Stable)
NA	Short-term-Non fund based – Letter of credit	NA	NA	NA	5.00	[ICRA]A4
NA	Long-term- Cash credit	NA	NA	NA	45.00	[ICRA]BB (Stable)
NA	Long-term- Unallocated	NA	NA	NA	8.90	[ICRA]BB (Stable)

Source: LLP

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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