

May 30, 2024

## Brindavan Beverages Private Limited: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Working Capital Facilities	105.00	115.00	[ICRA]A- (Stable), reaffirmed/ assigned
Long-term Fund-based – Term loan	48.94	71.75	[ICRA]A- (Stable), reaffirmed/ assigned
Long-term Non-fund based – Capex Letter of Credit	-	18.00	[ICRA]A- (Stable), assigned
Long-term/ Short-term Non-fund based – Interchangeable	(27.19)	-	-
Long-term/ Short-term Non-fund based – Working Capital Facilities	18.50	0.50	[ICRA]A- (Stable)/ [ICRA]A2+, reaffirmed
Unallocated Limits	-	2.19	[ICRA]A- (Stable)/ [ICRA]A2+, assigned
<b>Total</b>	<b>172.44</b>	<b>207.44</b>	

\* Instrument details are provided in Annexure – I

### Rationale

The reaffirmation of the ratings considers steady financial performance of Brindavan Beverages Private Limited (BBPL) over the last two years and ICRA's expectations that the performance would largely sustain over the medium term, supported by its established position as a franchisee bottler for Coca Cola. While assigning the ratings, ICRA has considered the consolidated performance of BBPL along with Brindavan Packaids Private Limited, Hilltop Traders Private Limited and SLMG Beverages Private Limited as the former has extended corporate guarantee/ letter of comfort towards the borrowing of the latter three entities. While BBPL, together with other entities of the Ladhani Group, namely Amrit Bottlers Private Limited, Brindavan Agro Industries Private Limited and Brindavan Bottlers Private Limited, have extended corporate guarantee/ letter of comfort for the borrowings of SLMG Beverages Private Limited and Hilltop Traders Private Limited, the borrowings of Brindavan Packaids Private Limited have been solely guaranteed by BBPL.

The ratings continue to derive comfort from the established market position of the Group as one of the largest franchisee bottlers of Coca Cola in India and the long track-record of its promoters in the business. The top line of the Group witnessed a strong growth over the past few years on the back of capacity addition and increasing demand for supply of beverages. The healthy brand equity of Coca Cola's products in India provides adequate revenue visibility to the Group. The overall profits and cash accruals from the Group's business also witnessed a steady growth over the past few years.

The ratings, however, continue to remain constrained by the leveraged capital structure and moderate coverage indicators of the Group. While the capital structure of BBPL has remained conservative due to healthy net worth and limited debt burden, the capital structure of the Group, on a consolidated basis, appears leveraged. However, ICRA expects the Group's gearing to improve to less than 1.5 times and interest cover to remain above 4.0 times in FY2025. The ratings are also impacted by the likely moderation, to some extent, in BBPL's financial profile, considering predominantly debt-funded capex programme to increase its production capacities. With the elevated debt levels, ICRA expects the coverage indicators of the company to suffer to some extent. Further, BBPL would remain exposed to project execution risks and successful completion of the project in a timely manner within the budgeted costs. ICRA notes that BBPL has extended sizeable loans and advances to non-core ventures, mainly in real estate, which are relatively illiquid and impact the return indicators. The ratings also consider the vulnerability of the Group's earnings to fluctuations in input costs and changes in consumer preferences away from carbonated

beverages, which dominate the Group's current product mix. Any material increase in investment in non-core ventures and/or a substantial rise in contingent liabilities would remain key credit concerns.

The Stable outlook on the long-term rating reflects ICRA's opinion that the Group will continue to maintain a comfortable capital structure and coverage indicators, backed by scale-up of operations while maintaining its margin profile.

## Key rating drivers and their description

### Credit strengths

**Extensive experience of promoters and established track record of operations of the Ladhani Group** – BBPL was incorporated in 1979 and commenced operations as a franchisee bottler for Parle (Exports) Private Limited before becoming a bottler for Coca Cola pursuant to the acquisition of Parle's soft drinks business by Coca Cola. The company continues to benefit from the extensive experience of its promoters in the non-alcoholic beverage bottling industry. In December 2020, the Ladhani Group restructured its organisational structure with the incorporation of SLMG Beverages Private Limited (SLMG) as the flagship company of the Group. SLMG acquired the operations of Hindustan Coca Cola Beverages Pvt. Ltd. in Uttar Pradesh and set up a greenfield bottling plant in Lucknow. The four legacy bottlers of the Group, including BBPL, have transferred their exclusive territorial marketing rights to SLMG. As a result, BBPL sells its entire bottling production exclusively to SLMG at a pre-determined cost plus mark-up, which further markets it to distributors. On a consolidated basis, the Group has become one of the largest franchisee bottlers for Coca Cola in India.

**Long association with Coca Cola; established market position of Coca Cola in the domestic beverages industry** – BBPL, along with its Group entities, is one of the largest franchisee bottlers of Coca Cola and has been associated with the company for over two decades. Moreover, Coca Cola continues to enjoy a healthy market share in the domestic non-alcoholic beverages industry, which ensures demand visibility and stability of business. At present, SLMG has territorial marketing rights for distribution of Coca Cola products over entire Uttarakhand, Bihar, Uttar Pradesh (except six districts), four districts of Madhya Pradesh and one district of Rajasthan.

**Significant top line growth of the Group in the recent past favourably impacting profits and cash accruals** – The operating income of BBPL witnessed a steady growth, post pandemic, in FY2022 as well as in FY2023. Although revenue from distribution of beverages registered a YoY growth of around 11% in FY2024 (provisional [P]), a significant drop in revenue from preforms and closures led to a decline in the operating income of the company to around Rs. 659 crore in FY2024 (P) from Rs. 675 crore in FY2023. Nevertheless, with increasing demand for supply of beverages, capacity addition along with likely recovery in dispatch of preforms and closures, the top line of the company is likely to grow by around 5% in FY2025 on a YoY basis. On a consolidated basis, the top line of the Group witnessed a strong growth over the past few years and stood at around Rs. 4,318 crore in FY2023. ICRA expects the growth momentum to continue, supported by enhanced capacity of production and acquiring of new territories for distribution of beverages. The revenue growth is also supported by stable demand for Coca Cola products due to its strong market position. The RoCE of the Group is also likely to remain comfortable at around 15% in the coming years. With increasing scale of operations, the overall profits and cash accruals from the business are estimated to increase in the medium term at least.

### Credit challenges

**Seasonality in demand and vulnerability to fluctuations in input costs** – The demand for carbonated soft drinks is seasonal in nature with peak demand seen between March and June. Consequently, the company earns a large portion of its annual operating income in Q4 and Q1 with the other two quarters experiencing relatively muted demand. Moreover, BBPL's margins remain vulnerable to volatility in input costs, mainly preforms (correlated with the price of crude oil) and sugar, both of which are prone to high fluctuation in prices. This is, however, partly offset by intervention from Coca Cola in the form of negotiation of prices with suppliers and/or reimbursement of costs, which aid in maintaining margins.

**Large debt-funded capex likely to exert pressure on the coverage indicators and exposing the company to project execution risks** – BBPL is envisaging a project to increase its carbonated soft drinks production capacity by 800 bottles per minute (BPM)

and packaged drinking water capacity by 600 BPM at its existing factory premises. The total capital outlay is estimated at around Rs. 250 crore, which is proposed to be funded by a mix of debt and equity. The proposed packaged drinking water line is scheduled to become operational in January 2025, while carbonated soft drinks line is likely to be operational in January 2026. ICRA notes that the turnover and profitability of the company is likely to increase significantly upon commencement of operations of the proposed enhanced facilities. However, BBPL would remain exposed to project execution risks and successful completion of the project in a timely manner within the budgeted costs would be important. The company would also face significant operational risks related to plant stabilisation and achieving desired process parameters. With the elevated debt levels, ICRA expects the leverage and coverage indicators of the company to suffer to some extent, going forward.

**Substantial investments and advances extended to non-core ventures remain a drag on return indicators** – BBPL has extended sizeable advances to non-core entities, particularly in the real estate sector in collaboration with the Embassy Group. These are relatively illiquid and constrain the company's return indicators. However, ICRA notes that there has not been a material increase in non-core investments in the recent past and some advances have been converted into actual assets upon completion of the respective projects. Any material increase in the same could impact the company's liquidity and financial risk profiles.

**Exposure to changes in government regulations and consumer preferences towards carbonated beverages** – The Group's performance also remains susceptible to adverse regulatory changes, consumer preferences and seasonality in sales as the major portion of the revenues is generated during March to June of the year (summer season). The demand of aerated beverages is contingent upon taste and preferences of consumers. Also, there is a possibility of moderation in demand for aerated beverages with consumers' shift towards a healthy lifestyle.

### Liquidity position: Adequate

BBPL generated positive cash flow from operations over the past two years, which is likely to continue in the current fiscal as well. The overall fund-based working capital utilisation of the company stood at around 64% during the last 12 months, ended in March 2024, leaving adequate cushion for working capital requirement. ICRA estimates that BBPL is likely to generate cash accruals of more than Rs. 80 crore in FY2025, which would be adequate to meet its incremental working capital requirements, debt repayment obligations of around Rs. 58 crore and its contribution towards proposed capital expenditure. ICRA expects the overall liquidity position of the company to remain adequate, going forward.

On a consolidated basis, the Group is estimated to generate cash flow from operations of more than Rs. 200 crore in FY2024, which is likely to increase to more than Rs. 300 crore in FY2025 and beyond. Against this, it has annual debt repayment obligations of Rs. 130-190 crore and capex requirements of Rs. 150-190 crore. The Group had free cash and liquid investments worth around Rs. 80 crore as on March 31, 2023.

### Rating sensitivities

**Positive factors** – The ratings could be upgraded in case of a significant increase in revenue and profitability of the company while maintaining a comfortable capital structure, healthy coverage metrics and liquidity on a sustained basis. A material decrease in contingent liabilities of the company along with deleveraging of the Group's capital structure on a sustained basis could also benefit the ratings.

**Negative factors** – Pressure on the ratings could arise if the company's revenue and earnings record a sustained decline, weakening its debt coverage indicators and liquidity profile. Any unanticipated and sizeable debt-funded capital expenditure, incremental large investment in real estate or non-core ventures and/or substantial financial support to Group entities could put pressure on the ratings. Specific credit metrics that could lead to ratings downgrade include the Group's interest cover remaining below 4.0 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">FMCG</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financial profiles of Brindavan Beverages Private Limited (BBPL), SLMG Beverages Private Limited, Hilltop Traders Private Limited and Brindavan Packaids Private Limited as BBPL has extended corporate guarantee/letter of comfort for the borrowings of the other three entities.

## About the company

Brindavan Beverages Private Limited (BBPL) is a franchisee bottler for Coca Cola for its carbonated soft drinks, fruit juice-based beverages and packaged drinking water. The bottling facility of the company is located in Bareilly, Uttar Pradesh. The company also operates 6.6-MW windmills in Gujarat and 10-MW solar power plant in Uttar Pradesh. BBPL has substantial investments in real estate projects together with the Embassy Group.

In December 2020, BBPL, along with three other group bottlers, have transferred their exclusive territorial marketing rights to SLMG Beverages Private Limited (SLMG), pursuant to a change in the Group's business model. Since then, BBPL has been supplying its products to SLMG at a predetermined cost-plus markup, which further markets it to distributors.

## Key financial indicators (audited)

BBPL	Standalone			Consolidated <sup>^</sup>	
	FY2022	FY2023	FY2024*	FY2022	FY2023
Operating income	380.7	675.1	659.0	2,403.4	4,318.0
PAT	32.9	64.0	65.1	64.8	170.5
OPBDIT/OI	16.2%	15.6%	18.1%	9.9%	11.3%
PAT/OI	8.7%	9.5%	9.9%	2.7%	3.9%
Total outside liabilities/Tangible net worth (times)	0.7	0.7	0.8	3.0	2.9
Total debt/OPBDIT (times)	3.4	2.4	2.5	6.1	3.7
Interest coverage (times)	6.8	11.2	10.6	2.8	4.5

Source: Ganesh Grains Limited, ICRA Research; \* Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

<sup>^</sup> ICRA has combined the financial statements of entities, specified in Annexure-II, along with Brindavan Beverages Private Limited to arrive at the consolidated financial indicators

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2024 (Rs. crore)	Current rating (FY2025)		Chronology of rating history for the past 3 years		
				Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022
				May 30, 2024	-	Feb 16, 2023	Nov 17, 2022	Sep 09, 2021
<b>1 Fund-based – Working Capital Facilities</b>	Long-term	115.00	-	[ICRA]A- (Stable)	-	[ICRA]A- (Stable)	[ICRA]BB+ (Stable) Issuer Not Cooperating	[ICRA]A- (Negative)
<b>2 Term Loans</b>	Long-term	71.75	64.90	[ICRA]A- (Stable)	-	[ICRA]A- (Stable)	[ICRA]BB+ (Stable) Issuer Not Cooperating	[ICRA]A- (Negative)
<b>3 Capex Letter of Credit</b>	Long-term	18.00	-	[ICRA]A- (Stable)	-	-	-	-
<b>4 Non-fund based Limits – Interchangeable</b>	Long-term/short-term	-	-	-	-	[ICRA]A- (Stable)/[ICRA]A2+	[ICRA]BB+ (Stable)/[ICRA]A4+ Issuer Not Cooperating	[ICRA]A- (Negative)/[ICRA]A2+
<b>5 Non-fund based – Working Capital Facilities</b>	Long-term/short-term	0.50	-	[ICRA]A- (Stable)/[ICRA]A2+	-	[ICRA]A- (Stable)/[ICRA]A2+	-	-
<b>6 Covid Loans</b>	Long-term	-	-	-	-	-	[ICRA]BB+ (Stable) Issuer Not Cooperating	[ICRA]A- (Negative)
<b>7 Unallocated Limits</b>	Long-term/short-term	2.19	NA	[ICRA]A- (Stable)/[ICRA]A2+	-	-	[ICRA]BB+ (Stable)/[ICRA]A4+ Issuer Not Cooperating	[ICRA]A- (Negative)/[ICRA]A2+

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Working Capital Facilities	Simple
Long-term fund-based – Term Loans	Simple
Long-term non-fund based – Capex Letter of Credit	Very Simple
Long-term/ Short-term non-fund based – Working Capital Facilities	Very Simple
Unallocated Limits	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	Term Loan 1	FY2023	-	FY2028	21.75	[ICRA]A- (Stable)
NA	Term Loan 1	FY2024	-	FY2029	50.00	[ICRA]A- (Stable)
NA	Capex Letter of Credit	FY2023	-	FY2025	18.00	[ICRA]A- (Stable)
NA	Cash Credit	-	-	-	75.00	[ICRA]A- (Stable)
NA	Overdraft 1	-	-	-	20.00	[ICRA]A- (Stable)
NA	Overdraft 2	-	-	-	20.00	[ICRA]A- (Stable)
NA	Bank Guarantee	-	-	-	0.50	[ICRA]A- (Stable)/ [ICRA]A2+
NA	Unallocated Limits	-	-	-	2.19	[ICRA]A- (Stable)/ [ICRA]A2+

Source: Brindavan Beverages Private Limited

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

**Annexure II: List of entities considered for consolidated analysis**

Company Name	Ownership*	Consolidation Approach
Brindavan Packaids Private Limited	-	Full Consolidation
Hilltop Traders Private Limited	8.00%	Full Consolidation
SLMG Beverages Private Limited	18.97%	Full Consolidation

Source: Brindavan Packaids Private Limited, Hilltop Traders Private Limited, SLMG Beverages Private Limited

Note: ICRA has taken a consolidated view of the above-mentioned entities, referred to as Brindavan Group/ Group as Brindavan Beverages Private Limited has extended corporate guarantee/ letter of comfort towards the borrowings of the other three entities. \* As on March 31, 2023

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