

SNJ Breweries Private Limited

Instruments	Amount (Rs. Crore ¹)	Rating Action
Term loan facilities	19.63 (revised from 45.00)	[ICRA]BBB (Stable) upgraded
Long-term fund based facilities	35.00	
Unallocated limited	25.37	

ICRA has upgraded the long-term rating outstanding on the Rs.19.63 crore (revised from Rs.45.00 crore) term loan facilities and the Rs.35.00 crore long-term fund based facilities of SNJ Breweries Private Limited (“SBPL” / “the Company”)² to [ICRA]BBB (pronounced ICRA triple B) from [ICRA]BBB- (pronounced ICRA triple B minus). ICRA has also assigned the long-term rating of [ICRA]BBB to the Rs.25.37 crore unallocated limits. The outlook on the long-term rating is Stable.

While arriving at the ratings, ICRA has taken a consolidated view on the financial and business profile of SNJ Distillers Private Limited (rated [ICRA]BBB (Stable)) and SBPL.

The rating upgrade factors in the improvement in the company’s market share in the Tamil Nadu (TN) beer industry from 18.5% to 21.8% driven by improved acceptance of its brands. The rating upgrade also factors in the improvement in financial profile of the company wherein key metrics like profit margins, profitability, capital structure and coverage indicators have improved. However, the company’s capital structure and coverage indicators continued to remain at moderately elevated levels of 1.3 times as on March 31, 2016, given the high initial debt-funded investment. Nevertheless, adjusting for unsecured loans from promoters which do not have any scheduled repayment nor bear any interest, capital structure moderates to 0.9 times as on March 31, 2016.

The rating continues to factor in the company’s established presence in the Tamil Nadu (TN) beer industry where only six other licensed manufacturers are present. The Company also has tie-up partnership with pan-India majors for manufacturing and marketing their brands within TN which supports capacity utilisation levels. Though presence of export license offers access to markets outside TN, the exports volumes have not experienced any traction during FY2016 owing to various regulatory hurdles in both TN and the importing states. Improvement in export volumes will be critical in increasing the capacity utilisation levels during the current year.

The rating is however constrained by the inherent regulatory risk in the TN liquor industry with TASMAL controlling the entire supply chain from indent placement, production, marketing, pricing and distribution, thus exposing the company’s profits to volatility in price movements of key raw materials. Further, the decision to shut down 500 of the ~6800 liquor outlets in TN by the government is expected to dent the overall revenues of TASMAL thereby impacting the company as well. If there are any increase in number of outlets being shut going forward as promised by the ruling party during its election campaign, the same will have an impact on the company’s revenues and will be a key rating sensitivity.

Company Profile

SNJ Breweries Private Limited (“SBPL” / “the Company”) was incorporated in 2009 by Mr. N Jayamurugan and his wife Mrs. J Geetha. The Company is engaged in the manufacture of Beer in Tamil Nadu. The Company with a bottling capacity of 8.0 lakh cases and canning capacity of 2.0 lakh cases per month is among seven units licensed to manufacture Beer within Tamil Nadu. SBPL currently manufacture six brands, out of which four are owned by SBPL and the remaining for SABMiller’s (tie-up partner) Haywards 5000 and Fosters brands.

The Company is part of the SNJ Group, which comprises of two other entities namely SNJ Distillers Private Limited (SDPL, rated [ICRA]BBB (Stable)) and SNJ Sugar & Products Limited in which SDPL and SBPL jointly own 29.1% stake, while the remaining is held by Mr. N Jayamurugan and Mrs. J Geetha.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definition, refer ICRA’s website (www.icra.in) or other ICRA rating publications



Recent results

The company reported a net profit of Rs. 15.3 crore on an operating income of Rs. 172.2 crore during FY2016 (provisional and un-audited) as against a net profit of Rs. 10.2 crore on an operating income of Rs. 151.9 crore during FY2015.

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For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Jaganathan A (Tel No. +91 44 4596 4316)
jaganathan.a@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500