

SNJ Distillers Private Limited

Instruments	Amount (Rs. Crore ¹)	Rating Action
Long-term fund based facilities	60.00	[ICRA]BBB (Stable) reaffirmed

ICRA has reaffirmed the long-term rating outstanding on the Rs.60.00 crore long-term fund based facilities of SNJ Distillers Private Limited (“SDPL” / “the Company”)² at [ICRA]BBB (pronounced ICRA triple B minus). The outlook on the long-term rating is Stable.

While arriving at the ratings, ICRA has taken a consolidated view on SDPL and SNJ Breweries Private Limited (rated [ICRA]BBB (Stable)).

The rating continues to factor in the company’s established presence in the Tamil Nadu (TN) Indian Made Foreign Liquor (IMFL) industry with a market share of 11.2% where only ten other licensed manufacturers are present. ICRA also takes note of the fact that the company is one of the leaders in the high margin premium segment with a market share of 21.5%. The rating 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. Increase in focus towards premium segments has led to improvement in margins; the increase in accruals aided the company is lowering its borrowing level leading to easing of the company’s capital structure. Margin improvement also led to strengthening of the company’s coverage indicators. The Company also has tie-up partnership with pan-India majors for manufacturing and marketing their brands within TN which supports capacity utilisation levels.

ICRA however takes note of the expected deterioration of the company’s financial profile as it is planning to set up a large brewery in Andhra Pradesh with a capacity of 7.0 lakh cases per month. The management expects to commission the brewery by end of FY2017 at an estimated cost of Rs.120.0 – 125.0 crore which will be funded through ~Rs.90.0 crore of debt and the rest through internal accruals. SDPL has already obtained license for the manufacture of beer in the state and the supply-demand position in Andhra Pradesh is also favourable with only brewery present in the state with the remainder of the requirements being currently imported from other states. However, such a sharp increase in debt over a short period of time is expected to result in worsening of the company capital structure and coverage indicators over the near term.

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 Distillers Private Limited (“SDPL” / “the Company”) was incorporated in 2008 by Mr. N Jayamurugan and his wife Mrs. J Geetha. The Company is engaged in the manufacture of Indian Made Foreign Liquor (IMFL) in Tamil Nadu. The Company with a capacity of 7.5-8.0 lakh cases per month is among 11 units licensed to manufacture IMFL within Tamil Nadu. SDPL currently manufacture 33 brands, out of which 15 are own brands and the remaining are for tie-up partners like *Bacaradi, Radico Khaitan, Kyndal India, Geoscope and Amrut*. The Company manufactures a range of alcoholic beverages that include brandy, rum, whisky and vodka and also manufactures white rum for one of its tie up partners.

The Company is part of the SNJ Group, which comprises of two other entities namely SNJ Breweries Private Limited (SBPL, 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. 18.1 crore on an operating income of Rs. 490.8 crore during FY2016 (provisional and un-audited) as against a net profit of Rs. 15.2 crore on an operating income of Rs. 549.6 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