

Kalis Sparkling Water (Private) Limited

Instrument	Amount (In Rs Crore)	Rating Action
Long term, Term Loans	14.12 (Revised from 14.58)	[ICRA]BBB- (Stable) / reaffirmed
Long term, Fund Based	2.00	
Long term, Proposed Facilities	9.08 (Enhanced from 8.62)	
Short term, Non-fund based	0.30	[ICRA]A3 / reaffirmed

ICRA has re-affirmed the long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) for the Rs. 14.12 crore (revised from 14.58) term-loans, Rs. 2.00 crore fund based facilities and for the Rs. 9.08 crore (enhanced from 8.62) proposed fund-based facilities of Kalis Sparkling Water (Private) Limited (“KSPL”/ “the company”). The outlook on the long term rating is Stable. ICRA has also re-affirmed the short-term rating of [ICRA]A3 (pronounced ICRA A three) for the Rs. 0.30 crore non-fund based bank limits of KSPL.

For arriving at the ratings, ICRA has taken a consolidated view of KSPL along with its group company – Kali Aerated Water Works (Private) Limited (rated [ICRA]BBB- (Stable)/ A3) – since both operate in the same line of business, have operational linkages and share a common management.

The re-affirmation of ratings take into account the established market position and the strong brand recall of the group’s products – “Bovonto” and “Kalimark”, especially in Tamil Nadu, with the brands being in existence for over 100 and 57 years, respectively; and the Group’s strong distribution network with over 500 distributors, mainly across Tamil Nadu. The ratings also consider KSPL’s financial risk profile characterised by comfortable gearing and adequate debt protection indicators, which have witnessed further improvement in FY 2016 on the back of robust profitability leading to healthy accretions, amid consistent debt repayment. ICRA further takes note of the management’s strategy to diversify its product portfolio by foraying into the fruit drink segment, to align with the increasing health focus of customers. The ratings continue to draw comfort from the extensive experience of the group’s promoters; and the favorable growth prospects of CSD in India supported by favourable demographics, increasing purchasing power of consumers, and increasing pace of urbanization.

The ratings are, however, constrained by KSPL’s significant planned cap-ex towards its upcoming bottling facility at Sri City Industrial Park, Andhra Pradesh, which may leverage its capital structure and exert pressure on debt protection metrics over the next few fiscals. The ratings also factor in the intense competition from CSD majors, such as the Coca Cola Group and PepsiCo. with their associated CSD brands that limit pricing flexibility and exposes KSPL to volatility in raw material prices. ICRA also notes the geographical concentration risks arising out of being a regional player with almost the entirety of its revenues generated from Tamil Nadu. The ratings further factors in KSPL’s exposure to regulatory risks of adverse changes in Government policies and regulations.

Company Profile

Incorporated in 2010, Kalis Sparkling Water (Private) Limited commenced operations in FY 2011–12 and is engaged in manufacturing carbonated soft drinks, which is marketed under its own brands, “Bovonto” and “Kalimark”. The company is entirely held by the promoter family. The Kali Group of companies, comprising KSPL and its group company – Kali Aerated Water Works (Private) Limited (KAPL) – traces its roots to the business set up by Mr. P.V.S. Kaliappan Palaniappa Nadar in 1916, which commenced commercial production from Virudhunagar, Tamil Nadu. The “Bovonto” brand, the Group’s largest selling product, was introduced in 1959 by the Group’s second generation of promoters. The Group continued to expand its portfolio through the addition of “Kalimark Solo”, “Kalimark Ginger”, “Kalimark Trio”, “Kalimark Panneer”, “Frutang” and “Kali’s Club Soda”. Currently managed by the fourth generation of the promoter family, KSPL functions largely as a manufacturing company, and effects its sales to Group company, KAPL.

KSPL operates a fully automated, ISO 22000:2005 certified manufacturing facility at Nilakottai, Dindigul, Tamil Nadu, with an installed bottling capacity of 480 bottles per minute (bpm).

For FY 2015–16, KSPL reported a PAT of Rs. 9.6 crore on net sales of Rs. 89.30 crore as against a PAT of Rs. 6.1 crore on net sales of 78.7 crore in FY 2014–15.

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