

## Press Release

**Balaji Enterprises**

14 May, 2018



**Rating Assigned**

<b>Total Bank Facilities Rated*</b>	Rs. 25.00 Cr.
<b>Long Term Rating</b>	SMERA BBB-/Stable

\*Refer annexure for details

SMERA has assigned rating of '**SMERA BBB-**' (read as SMERA triple B minus) on the Rs. 25.00 crore bank facilities of Balaji Enterprise. The outlook is '**Stable**'.

Balaji Enterprises (BE) was established in 2010 by Ramesh Kishnani and Family. It is a Mumbai-based firm which is engaged in the trading of Indian Made Foreign Liquor. BE distributors in Palghar district region in Maharashtra state.

### **Analytical approach:**

For arriving at the ratings, SMERA has consolidated the business and financial risk profiles of Pinkku Traders and Balaji Enterprises, together referred to as the PB Group. The group does not have any operational and financial linkages apart from a common management.

### **Key rating drivers**

#### **Strengths**

##### **Experienced management and established track record of operations**

Mumbai based Balaji Enterprises established in 2010 is led by Mr. Ramesh Kishnani, Mr. Rajkumar Kishanani, Ms. Disha Kishnani, and Mrs. Sheela Kishnani among others who has experience of more than two decades in the liquor distribution business.

The group spilt its business into two entities – Pinkku Traders (present in Thane and Raigad District) and Balaji Enterprise (present in Palghar district).

#### **Exclusive distributorship**

The group has exclusive distributorship of all products of Skol Breweries, Seagram Manufacturing Limited, Privilege Industries Limited, Pernod Rochard India Private Limited, SAB Miller India Limited and Privilege Industries Limited in the IMFL, Wine and Beer categories for Thane and Palgarh district. The group distributes the products to various restaurants & bars, retail shops, hotels and wine shops.

#### **Healthy financial risk profile**

The financial risk profile of the group is healthy marked by net worth of Rs. 31.85 crore as on 31 March, 2017 as compared to Rs. 29.58 crore as on 31 March, 2016. Gearing (debt-equity) stood at 1.78 times as on 31 March, 2017 as compared to 3.12 times as on 31 March, 2016. The total debt of Rs. 56.56 crore as on 31 March, 2017 comprises working capital borrowing of Rs. 50.52 crore and unsecured loan from directors of Rs. 5.88 crore. The interest coverage ratio (ICR) stood at 1.55 times in FY2017 as against 1.65 times in FY2016. The total outside liabilities to tangible net worth (TOL/TNW) stood at 2.27 times in FY2017 and 3.34 times in FY2016.

Going forward, SMERA expects the company to maintain its financial risk profile backed by moderate net

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cash accruals and in absence of any major debt funded capex plan.

### Comfortable Working Capital

The working capital operations of the group are comfortable marked by GCA days of 85 days in FY2017 compared to 95 days in FY2016. The GCA days are mainly dominated by Inventory days of 48 in FY2017 as against 38 days in FY2016. The debtor days stood at 34 in FY2017 and 49 days in FY2016. The average bank limit utilisation stood at 95 per cent for last three months ending March, 2018.

### Weaknesses

#### Highly regulated and competitive industry

The alcohol industry in India is highly regulated with each state having a unique taxation policy and varying regulations. The distribution channel of the industry is also regulated by the state government. Besides, movement of liquor between states is subject to multiple tax laws.

#### Proprietorship constitution

PB group's financial risk profile is susceptible to inherent risk of capital withdrawal considering the partnership constitution of the firm.

#### Outlook - Stable

SMERA believes that the outlook will remain 'Stable' over the medium term. The group will continue to benefit from its experienced management and established relations with customers and suppliers. The outlook maybe revised to 'Positive' in case the group registers sustained growth in revenues while achieving significant improvement in profit margins and working capital management. Conversely, the outlook maybe revised to 'Negative' in case of steep decline in revenue and profit margins or significant deterioration in the financial risk profile.

#### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	412.89	458.09	390.44
EBITDA	Rs. Cr.	11.94	12.95	10.93
PAT	Rs. Cr.	4.22	5.14	4.60
EBITDA Margin	(%)	2.89	2.83	2.80
PAT Margin	(%)	1.02	1.12	1.18
ROCE	(%)	11.50	12.48	24.81
Total Debt/Tangible Net Worth	Times	1.78	3.12	3.28
PBDIT/Interest	Times	1.55	1.65	1.71
Total Debt/PBDIT	Times	4.64	6.88	6.10
Gross Current Assets (Days)	Days	85	95	77

#### Any other information:

Not Applicable

## Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Trading Entities- <https://www.smerra.in/criteria-trading.htm>
- Criteria for Consolidation of Companies - <https://www.smerra.in/criteria-consolidation.htm>

## Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

## Status of non-cooperation with previous CRA (if applicable):

None

## Rating History (Upto last three years)

SMERA has not rated the company in the past

## Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BBB-/Stable

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## ABOUT SMERA

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