

Press Release

Balaji Enterprises

July 30, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.25.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs. 25.00 crore bank facilities of Balaji Enterprises. The outlook is '**Stable**'.

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

Analytical Approach

For arriving at the ratings, Acuité has consolidated the business and financial risk profiles of Pinkku Traders and Balaji Enterprises, together referred to as the PB Group. The group has significant operational and financial linkages apart from the common management. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- Experienced management and established track record of operations**

The group is led by Mr. Ramesh Kishnani who has experience of about 20 years in the liquor distribution business. Also, Mr. Vashumal Kishnani, Mr. Pradeep Kishnani and Ms. Neha Kishnani are also engaged in the business. The group split its business into two entities - Pinkku Traders (Thane and Raigad District) and Balaji Enterprise (Palghar district).

- Exclusive distributorship**

The group has exclusive distributorship of all products of Skol Breweries, Seagram Manufacturing Limited, Privilege Industries Limited in the IMFL and Wine categories for Thane districts. The firm distributes Beer and Spirit 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.42.02 crore as on 31 March, 2019 (Provisional) as compared to Rs. 36.98 crore as on 31 March, 2018. Gearing (debt-equity) stood at 1.48 times as on 31 March, 2019 (Provisional) as compared to 1.82 times as on 31 March, 2018. The total debt of Rs. 62.28 crore as on 31 March, 2019 (Provisional) comprises term loan of Rs. 0.05 crore, working capital borrowing of Rs. 53.81 crore and unsecured loan from directors of Rs. 8.41 crore. The interest coverage ratio (ICR) stood at 1.78 times in FY2019 (Provisional) as against 1.80 times in FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.83 times in FY2019 (Provisional) and 2.23 times in FY2018.

Weaknesses

- Thin profitability and competition from other brands**

The group profit margins stood at 1.06 percent in FY2019 (Prov) as compared to 1.11 per cent in FY2018. The low profit margins are usually on account of limited pricing flexibility with prices being dictated by IMFL manufacturers. Changes in customer preferences or prices may impact the business profile.

- **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.

Liquidity Position:

PB group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.4.33-5.96 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs.0.01-0.05 crore over the same period. The group's operations are managed efficiently marked by gross current asset (GCA) days of 78 in FY2019 (Provisional). The group has high reliance on working capital borrowings, the cash credit limit of the group remained utilised at ~95 percent during the last 6 months' period ended June, 2019. The group maintains unencumbered cash and bank balances of Rs.0.50 crore as on March 31, 2019 (Provisional). The current ratio of the group stood at 1.73 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that the outlook will remain 'Stable' over the medium term. The company will continue to benefit from its experienced management and established relations with customers and suppliers. The outlook maybe revised to 'Positive' in case the firm 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	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	551.52	502.53	412.89
EBITDA	Rs. Cr.	13.44	12.35	11.94
PAT	Rs. Cr.	5.87	5.56	4.22
EBITDA Margin	(%)	2.44	2.46	2.89
PAT Margin	(%)	1.06	1.11	1.02
ROCE	(%)	12.96	13.16	11.50
Total Debt/Tangible Net Worth	Times	1.48	1.82	1.78
PBDIT/Interest	Times	1.78	1.80	1.55
Total Debt/PBDIT	Times	4.58	5.25	4.64
Gross Current Assets (Days)	Days	78	86	85

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-May-2018	Cash Credit	Long Term	25.00	ACUITE BBB- / Stable (Assigned)

*Annexure – Details of instruments rated

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

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About Acuité Ratings & Research:

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