

Press Release

Balaji Enterprises

August 27, 2021



Rating Reaffirmed, withdrawn

Total Bank Facilities Rated*	Rs.25.00 Cr. (Reduced from Rs.30.00 Cr.)
Long Term Rating	ACUITE BBB-/Outlook: Stable (Reaffirmed & Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the 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**'.

Also, Acuité has withdrawn the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.5.00 crore bank facilities of Balaji Enterprises. The rating is being withdrawn on account of request received from the company.

About the rated entity

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.

About the group company

Pinkku Traders was established in 1995 by Mr. Ramesh Kishnani and Family. It is a Mumbai-based firm which is engaged in the trading of Indian Made Foreign Liquor. They are distributors in Thane-Raigad region 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 consolidation is mainly on account of similarity in the line of business and common management. Extent of consolidation: Full.

Key Rating Drivers

Strengths

• **Established track record of operations and experienced management.**

Pinkku Traders was established in 1995, whereas Balaji Enterprises (BE) was established in 2010. The group is led by Mr. Ramesh Kishnani who has experience of about 20 years in the liquor distribution business. Also, Mr. Rajkumar Kishnani, Mr. Pradeep Kishnani, Mrs. Sheela Kishnani and Ms. Disha 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).

Acuité believes that the group will continue to benefit from its established track record of operations and experienced management

• **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 group distributes Beer and Spirit products to various restaurants & bars, retail shops, hotels and wine shops.

- **Moderate financial risk profile**

The financial risk profile of the group is moderate marked by healthy net worth, moderate gearing (debt to equity ratio) and moderate debt protections metrics. The net worth of the group is healthy at around Rs.40.21 crores as on 31 March, 2021 (Prov.) as against Rs.38.88 crore as on March 31, 2020. Gearing is moderate at 2.03 times as on 31 March, 2021 (Prov.) as against 2.02 times as on 31 March, 2020. The total debt of 81.68 crore as on 31 March, 2021 (Prov.) consists of long term debt of Rs.4.59 crore, short term debt of Rs.60.75 crore and unsecured loans from promoters of Rs.16.34 crore. TOL/TNW stood at 2.35 times as on 31 March, 2021 (Prov.) as against 2.08 times as on 31 March, 2020. Debt protection metrics are moderate marked by interest coverage ratio and DSCR stood same at 1.74 times and 1.74 times in FY2021 (Prov.) as against 1.75 times and 1.75 times for FY2020 respectively.

Acuité believes that the financial risk profile of the group is expected to remain at the same level over the medium term.

- **Efficient working capital operations**

The working capital management of the group is efficient marked by Gross Current Asset (GCA) days of 87 days in FY2021 (Prov.) as against 75 days in FY2020. The elongation in GCA days are due to high receivables period of 61 days in FY2021 (Prov.) as against 44 days in FY2020. Inventory days stood at 21 days in FY2021 (Prov.) as against 25 days in FY2020. However, the average bank limit utilization remained high at around 85-97 percent for the past trailing 6 months ended May 2021.

Acuité believes that efficient working capital management will be crucial to the group in order to maintain a healthy risk profile.

Weaknesses

- **Risk of capital withdrawal**

PB Group is exposed to the risk of capital withdrawal considering its partnership constitution. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the group.

- **Highly fragmented and competitive nature of 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.

Rating Sensitivities

- Significant improvement in operating performance.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The group has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.6.35-6.90 crore during the last three years through 2019-2021, while its maturing debt obligations in the range of Rs.0.20-0.30 crore over the same period. The working capital operations of the group are intensive marked by gross current asset GCA days of 87 days in FY2021 (Prov.) as against 75 days in FY2020. The group maintains unencumbered cash and bank balances of Rs.0.99 crore as on March 31, 2021 (Prov.). The current ratio stands at 1.82 times as on March 31, 2021 (Prov.) as against 1.70 times as on March 31, 2020. The average bank limit utilization stood high at around 85-97 percent for the last 6 months ended May 2021.

Outlook: Stable

Acuité believes that the group will continue to maintain a 'Stable' outlook over near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the firm achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may

be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	555.91	574.90
PAT	Rs. Cr.	6.14	6.60
PAT Margin	(%)	1.11	1.15
Total Debt/Tangible Net Worth	Times	2.03	2.02
PBDIT/Interest	Times	1.74	1.75

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
01-Jun-2020	Cash Credit	Long Term	30.00	ACUITE BBB-/ Stable (Reaffirmed)
30-July-2019	Cash Credit	Long Term	25.00	ACUITE BBB-/ Stable (Reaffirmed)
14-May-2018	Cash Credit	Long Term	25.00	ACUITE BBB-/ Stable (Assigned)

*Annexure – Details of instruments rated

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Punjab National Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB-/ Stable (Reaffirmed)
Punjab National Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- (Withdrawn)

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About Acuité Ratings & Research:

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