

Press Release

Balaji Enterprises (Ulhasnagar)

November 25, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite 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 (ULHASNAGAR). The outlook is **'Stable'**.

Rationale for Reaffirmation

The rating has been reaffirmed basis the stable operating and financial performance of the group, albeit slight decline in operating income. The operating income of the Group stood at Rs. 491.68 Cr in FY22(Prov.) as against Rs. 556.21 Cr, while the operating margins continued to range between 2.40-2.70 percent for the three years ended FY2022. The rating draws comfort from the extensive experience of the promoters and their established presence in liquor distribution segment. The Group has been a licensed trader of Indian made foreign liquor for more than two decades and continues to be exclusive distributor of key brands in the segment in its region. The rating is however constrained by the below average financial risk profile, working capital intensive nature of operations and overall stretched liquidity position of the group. Going forward, ability of the Group to improve its financial risk profile and maintain its scale of operations and profitability margins will be remain key rating monitorables.

About the Company

Maharashtra based Balaji Enterprises was incorporated in 2010 as a partnership firm by Mr. Ramesh Kishnani and Family. It is currently promoted by Mr. Rajkumar Kishnani and his wife Mrs. Sheela Kishnani. The firm is primarily engaged in trading Indian Made Foreign Liquor. It has exclusive distributorship for certain brands in Palghar region of Maharashtra.

About the Group

Maharashtra based Pinkku Traders was incorporated in 1995 as a partnership firm by Mr. Ramesh Kishnani and Family. It is currently promoted by Mr. Ramesh Kishnani and Mri. Pradeep Kishnani. The firm is primarily engaged in trading Indian Made Foreign Liquor. It has exclusive distributorship for certain brands in Thane-Raigad region of Maharashtra.

Analytical Approach

For arriving at the ratings, Acuite 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

- **Extensive experience of the promoters and their established presence in liquor distribution segment**

The promoter, Mr. Ramesh Kishnani has an extensive experience in the liquor distribution segment for more than two decades. The other members of the family like Mr. Rajkumar Kishnani, Mr. Pradeep Kishnani, Mrs. Sheela Kishnani and Ms. Disha Kishnani are also engaged in the business. The extensive experience of the promoters and established presence in the industry has helped the company to generate healthy relations with various customers and suppliers in the domestic market. The operating income saw a moderation in FY22 to Rs. 491.68 Cr in FY22(Prov.) as against Rs. 556.21 crore in FY21 due to reduction in the distribution area in Balaji Enterprises. However, the group's revenue picked up in FY23 and it has generated a revenue of approx. Rs. 287 Cr in 7 months period ended October, 2022.

Acuité believes that the company will continue to benefit from the promoters' experience and established track record of operations in improving its business risk profile over the medium term.

- **Exclusive distributorship**

The group has exclusive distributorship of from Pernod Ricard India Private Limited for whisky brands like Royal Stage, Blenders Pride Reserve, Royal Stage Barrel, Master Blend, Chivas Regal, Absolute Vodka, Royal Salute, 100 Pipers etc , Indospirit Beverages Pvt Ltd for seltzer and Wild Drum Beverages Pvt Ltd for wine. The group distributes Beer and Spirit products to various restaurants & bars, retail shops, hotels and wine shops.

Weaknesses

- **Below Average Financial Risk Profile**

The financial risk profile of the group is below average marked by moderate net worth, moderately high gearing and average coverage indicators. The tangible net worth of the company improved to Rs. 39.33 Cr. as on March 31, 2022 (Prov.) as against Rs. 36.86 Cr. as on March 31, 2021. The improvement in net-worth is primarily due to accretion of profits to reserves. The total debt of the company stood at Rs. 80.83 Cr as on March 31, 2022 (Prov.) which includes Rs. 0.31 Cr of long term borrowings, Rs. 19.17 Cr of interest bearing unsecured loans from promoters and Rs. 61.35 Cr of short term borrowings. The gearing level of the company improved slightly to 2.06 times as on March 31, 2022 (Prov.) as against 2.32 times as on March 31, 2021 due to decrease in bank debt and withdrawal of Unsecured loans. The TOL/TNW improved to 2.24 times as on March 31, 2022 (Prov.) as against 2.67 times as on March 31, 2021.. The Debt-Ebitda deteriorated and remained high at 6.43 times in FY22 (Prov.) as against 5.71 times in FY21. The Interest Coverage Ratio (ICR) remained average at 1.72 times in FY22 (Prov.) as against 1.74 times in FY21. The NCA/TD remained low at 0.06 times in FY22 (Prov.) as against 0.07 times in FY21.

Acuité believes ability of the Company to improve its financial risk profile over the medium term will remain a key rating monitorable.

• Working capital intensive nature of operations

The operations of the group are working capital intensive marked by Gross Current Asset (GCA) days of 93 days as on March 31, 2022 (Prov.) as against 87 days as on March 31, 2021. The GCA days are driven by debtor days. The debtor days deteriorated and remained high at 71 days as on March 31, 2022 (Prov.) as against 61 days as on March 31, 2021. The inventory days stood at 17 days as on March 31, 2022 (Prov.) as against 21 days as on March 31, 2021. The combined average utilisation of fund based limits availed by the Group remained high at around 90-92 percent for last six months period ended August, 2022. The majority of the procurement by the group is done either on advance or cash on delivery basis, thus limiting its credit support availability from its suppliers.

Acuité expects the working capital operations of the company to remain intensive over the medium term

• 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

Rating Sensitivities

- Ability of the Company to improve its scale of operations and profitability margins
- Elongation of working capital cycle
- Deterioration in liquidity position
- Ability to maintain Debt/Ebitda below 6.5 times

Material covenants

None

Liquidity Position

Stretched

The firm generated NCA of Rs. 4 Cr. in FY22 (Prov.) and Rs. 3.89 Cr in FY21 as against Rs. 0.09-0.12 Cr of CPLTD. Going forward, the net cash accruals are expected to remain in the range of Rs. 5-7 Cr. in FY23-24 as against no CPLTD during the same period. The total sanctioned limits of working capital borrowings is Rs. 65 Cr. from PNB. The consolidated utilisation of working capital borrowings is average 90-93 percent for the six months period ended August, 2022. Besides, the group also has a unencumbered cash and bank balance which stood at Rs. 1.63 Cr. as on March 31, 2022 (Prov.) as against Rs. 0.99 Cr. as on March 31, 2021. The current ratio of the group stood at 1.84 times as on March 31, 2022 (Prov.) as against 1.77 times as on March 31, 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 group 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.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	491.68	556.21
PAT	Rs. Cr.	5.02	6.14
PAT Margin	(%)	1.02	1.10
Total Debt/Tangible Net Worth	Times	2.06	2.32
PBDIT/Interest	Times	1.72	1.74

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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

.In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Aug 2021	Cash Credit	Long Term	5.00	ACUITE BBB- (Withdrawn)
	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)
01 Jun 2020	Cash Credit	Long Term	30.00	ACUITE BBB- Stable (Reaffirmed)
30 Jul 2019	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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