

Maharashtra Beer and Wine Centre: Reaffirmed

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	4.75	SMERA BB/Stable (Reaffirmed)
Term Loan	2.20	SMERA BB/Stable (Reaffirmed)
Proposed Cash Credit	2.91	SMERA BB/Stable (Assigned)

SMERA has assigned the rating of **'SMERA BB' (read as SMERA double B)** to the Rs.2.91 crore bank facility and reaffirmed the rating of **'SMERA BB' (read as SMERA double B)** on the Rs.6.95 crore bank facilities of Maharashtra Beer and Wine Centre (MBWC). The outlook is **'Stable'**.

The rating derives comfort from the firm's established track record of operations and experienced management. The rating is also supported by the stable business risk profile and comfortable working capital cycle. However, the rating is constrained by the average financial risk profile, highly regulated liquor trading industry and partnership constitution of the firm.

MBWC, set up in 1973 was promoted by partners, Mr. Kiran Mehta, Mr. Viral Mehta and Mrs. Anajni Mehta. The management has more than four decades of experience in the wholesale segment of liquor. MBWC is an authorised distributor for United Spirits Limited (USL) and Sula brands in Mumbai and is also a FL-I license holder (Permit for purchase of liquor directly from the distilleries and sale to FL license holders). As per FY2015-16 financials there has been a marginal decline in revenue. The operating income stands at Rs.71.61 crore in FY2015-16 as compared to Rs.73.04 crore in FY2014-15.

The business risk profile of MBWC is marked by stable operating margins of 1.41 percent in FY2015-16 as compared to 1.36 percent in FY2014-15. Also, the PAT margins stood at 0.46 percent in FY2015-16 as compared to 0.65 percent in FY2014-15. The firm has comfortable working cycle with working capital cycle of 39 days in FY2016. The company stocks inventory (finished goods) for 20-30 days.

MBWC has average financial risk profile marked by low net worth of Rs.4.48 crore as on 31 March 2016. As per FY2015-16 financials, the interest coverage ratio stands at 1.61 times as against 2.39 times for FY2014-15. The gearing registered an increase and stands at 1.89 times as on 31 March 2016 as compared to 0.74 times as on 31 March, 2015.

However, the ratings are constrained by the high risk inherent in the liquor industry by virtue of stringent government regulations and significant increase in the license fee payable to state governments. The rating also factors in the partnership constitution of the firm exposing it to risks of capital withdrawal.

Rating Sensitivity Factors

- Sustaining growth in revenues and profitability
- Change in working capital requirements
- Change in government regulations

Outlook-Stable

SMERA believes that the firm will maintain a stable outlook and benefit over the medium term from its promoters' extensive experience in liquor wholesale. The outlook may be revised to 'Positive' if the financial risk profile, particularly liquidity improves with infusion of long-term funds by promoters. Conversely, the outlook may be revised to 'Negative' if the firm's liquidity weakens due to unanticipated stretch in working capital cycle or sizeable capital withdrawals by promoters.

Criteria applied to arrive at the rating:

- Trading Entities

About the Group

The Mumbai-based MBWC, a partnership firm, was established in 1973 by Mr. Kiran Mehta, Mr. Viral Mehta and Mrs. Anajni Mehta. The firm is a liquor wholesaler and an authorised distributor for USL and Sula brands in Mumbai. The firm is a FL-I license holder.

For FY2014-15, the profit after tax (PAT) is Rs. 0.33 crore on operating income of Rs.71.61 crore as compared to PAT of Rs.0.47 crore on operating income of Rs.73.04 crore for FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating/ Outlook
			Long Term	Short Term	
04 January, 2016	Cash Credit	4.75	SMERA BB (Assigned)	-	Stable
	Term Loan	2.20	SMERA BB (Assigned)	-	Stable

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ABOUT SMERA

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