

Press Release

MAHARASHTRA BEER AND WINE CENTRE

23 January, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs. 9.86 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has downgraded the long-term rating on the Rs. 6.95 crore bank facilities of MAHARASHTRA BEER AND WINE CENTRE to '**SMERA BB-**' (read as **SMERA double B minus**). The outlook is '**Stable**'.

The Mumbai-based Maharashtra Beer and Wine Centre (MBWC), a partnership firm, was established in 1973 by Mr. Kiran Mehta, Mr. Viral Mehta and Mrs. Anajni Mehta. The firm is a wholesaler of liquor and an authorised distributor for products of United Spirits Limited (USL) and Sula in Mumbai. The firm is a FL-I license holder.

Key Rating Drivers

Strengths

- **Established track record of operations, experienced management**

MBWC was established in 1973 by Partners, Mr. Kiran Mehta, Mr. Viral Mehta and Mrs. Anajni Mehta. The management has more than four decades of experience in the wholesale of liquor.

- **Comfortable working capital cycle**

The working capital cycle of MBWC is comfortable marked by GCA of 52 days in FY2017 as against 56 days in FY2016. The GCA is mainly dominated by debtors of 23 days in FY2017 and 19 days in FY2016 while the inventory has been in the range of 20 to 30 days during the period. SMERA believes that efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Weaknesses

- **Highly regulated business**

The ratings are constrained by the stringent regulations and significant increase in the license fee payable to state governments.

- **Weak financial risk profile**

The financial risk profile is weak marked by tangible net worth of Rs.4.08 crore as on 31 March, 2017 as against Rs. 4.48 crore as on 31 March, 2016. The net worth includes unsecured loans of Rs. 2.30 crore as on 31 March 2017, considered as quasi equity. The adjusted gearing stood at 2.09 times as on 31 March, 2017, an increase from 1.89 times as on 31 March, 2016. The Interest Coverage Ratio (ICR) stood at 0.92 times for FY2017 as against 1.61 times in FY2016. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at a comfortable 2.53 times as on 31 March, 2017 as against 2.39 times in the previous year. Going forward, SMERA expects the financial risk profile to register marginal improvement in the near to medium term in the absence of major debt funded capex plans.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the firm to arrive at the rating.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook and benefit over the medium term from its promoters' extensive experience in the wholesale of liquor. 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 liquidity weakens due to unanticipated stretch in working capital cycle or sizeable capital withdrawals by promoters.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	66.83	71.61	73.04
EBITDA	Rs. Cr.	0.60	1.01	0.99
PAT	Rs. Cr.	-0.17	0.33	0.47
EBITDA Margin	(%)	0.89	1.41	1.36
PAT Margin	(%)	-0.26	0.46	0.65
ROCE	(%)	6.42	10.08	24.41
Total Debt/Tangible Net Worth	Times	2.09	1.89	0.74
PBDIT/Interest	Times	0.92	1.61	2.39
Total Debt/PBDIT	Times	9.37	7.56	3.12
Gross Current Assets (Days)	Days	52	56	36

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore.)	Ratings/Outlook
19-Sep-2016	Cash Credit	Long Term	INR 4.75	SMERA BB / Stable (Reaffirmed)
	Term Loan	Long Term	INR 2.2	SMERA BB / Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	INR 2.91	SMERA BB / Stable (Assigned)
04-Jan-2016	Term Loan	Long Term	INR 2.2	SMERA BB / Stable (Assigned)
	Working Capital Demand Loan	Long Term	INR 4.75	SMERA BB / Stable (Assigned)

***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	8.00	SMERA BB- / Stable (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.06	SMERA BB- / Stable (Downgraded)
Proposed cash credit	Not Applicable	Not Applicable	Not Applicable	0.80	SMERA BB- / Stable (Downgraded)

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