

## Press Release

### Maharashtra Beer And Wine Centre

December 06, 2018



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 12.36 Cr. (Enhanced from Rs.9.86 crore)
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) to the Rs. 12.36 crore bank facilities of Maharashtra Beer And Wine Centre. 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 South Mumbai. It has also commenced with distribution of new brands like DSP Black, Director's Special and White Mischief vodka. The firm is a FL-I license holder.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of MBWC to arrive at this rating.

### Key Rating Drivers

#### Strengths

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

MBWC was established in 1973 by Partners, Mr. Kiran Mehta, Mr. Viral Mehta and Mrs. Anajni Mehta. The management has experience of more than four decades in the wholesale of liquor. Acuité believes that the company will benefit from its healthy relationship with its customers and suppliers.

- **Comfortable working capital cycle**

The working capital cycle of MBWC is comfortable marked by Gross Current Assets (GCA) of 60 days in FY2018 as against 52 days in FY2017. The debtor days stood at 26 days for FY2018 as against 23 days for FY2017, while the inventory has been in the range of 20 to 30 days during the period. Acuité believes that working capital management will remain comfortable over the medium term due to the trading nature of the business.

#### Weaknesses

- **Declining scale of operations**

MBWC's revenues had been on a declining trend marked by Rs.73.04 crore in FY2015, Rs.71.61 crore in FY2016 and Rs.66.83 crore in FY2017. However, the revenues have marginally improved to Rs.67.37 crore in FY2018. This is majorly because of decrease in sale of bag piper brand and competition faced by the firm. The operating margins increased to 1.38 percent in FY2018 from 0.89 per cent in FY2017. Acuité believes that the firm's ability to increase the scale of operations while maintaining its margins will be critical rating factor.

- **Below average financial risk profile**

The financial risk profile is below average marked by low tangible net worth of Rs.4.24 crore as on 31 March, 2018 as against Rs.4.08 crore as on 31 March, 2017. The net worth includes unsecured loan of Rs.2.21 crore as on 31 March 2018 considered as quasi equity. The gearing stood at 2.10 times as on 31 March, 2018 as against 2.09 times as on 31 March, 2017. Interest Coverage Ratio (ICR) increased to 1.28 times in FY2018 from 0.92 times in FY2017. Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.74 times as on 31 March, 2018 as against 2.53 times in the previous year.

- **Highly regulated business**

The liquor distribution industry has stringent regulations and license fee payable to state governments, thus constraining the rating.

**Outlook: Stable**

Acuité believes that MBWC 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	67.37	66.83	71.61
EBITDA	Rs. Cr.	0.93	0.60	1.01
PAT	Rs. Cr.	0.22	(0.17)	0.33
EBITDA Margin	(%)	1.38	0.89	1.41
PAT Margin	(%)	0.33	(0.26)	0.46
ROCE	(%)	9.28	6.42	10.08
Total Debt/Tangible Net Worth	Times	2.10	2.09	1.89
PBDIT/Interest	Times	1.28	0.92	1.61
Total Debt/PBDIT	Times	7.16	9.36	7.56
Gross Current Assets (Days)	Days	60	52	56

**Any other information**

None.

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.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>

**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
23-Jan-2018	Cash Credit	Long Term	8.00	ACUITE BB-/Stable (Downgraded)
	Term Loan	Long Term	1.06	ACUITE BB-/Stable (Downgraded)
	Proposed Cash Credit	Long Term	0.80	ACUITE BB-/Stable (Downgraded)
19-Sep-2016	Cash Credit	Long Term	4.75	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	2.20	ACUITE BB/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	2.91	ACUITE BB/Stable (Assigned)
04-Jan-2016	Term Loan	Long Term	2.20	ACUITE BB/Stable (Assigned)

	Working Capital Demand Loan	Long Term	4.75	ACUITE BB/Stable (Assigned)
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**\*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	8.00	ACUITE BB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.76	ACUITE BB- / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.60 (Enhanced from Rs.0.80 crore)	ACUITE BB- / Stable (Reaffirmed)

**Contacts**

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Saurabh Rane Analyst - Rating Operations Tel: 02249294044 <a href="mailto:saurabh.rane@acuiteratings.in">saurabh.rane@acuiteratings.in</a>	

**About Acuité Ratings & Research:**

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