



SMERA RATINGS LIMITED

Walvekar Sons (WS)

*Rating
Rationale***July 28, 2015**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	6.50	SMERA BBB/Stable (Assigned)

SMERA has assigned rating of '**SMERA BBB**' (read as **SMERA triple B**) to the Rs.6.50 crore long-term bank facilities of Walvekar Sons (WS). The outlook is '**Stable**'.

SMERA has consolidated the business and financial risk profiles of WBC and Walvekar Sons (WS) referred to as the Walvekar Group. The consolidation is in view of WBC and WS operating in the same line of business with common promoters. The ratings derive support from the group's stable business risk profile, healthy revenue growth and moderate financial risk profile resulting from comfortable leverage and efficient working capital management. The ratings also take into account the group's long track record of operations and experienced management. However, the ratings are constrained by the thin profit margins, moderate liquidity position and the company's presence in a highly regulated liquor industry. The rating notes that the group is exposed to intense market competition.

The Walvekar Group, established in 1995 undertakes wholesale trading of Indian Made Foreign Liquor (IMFL), beer and wine in the Pune region. The stable business risk profile is marked by operating margins in the range of 2.50 percent for the last three financial years. The group is the authorised dealer of United Spirits Limited for IMFL products, Carlsberg India Private Limited for beer, Grover Zampa Vineyards Limited and York Winery Private Limited for imported liquor. The group registered operating income of Rs.234.42 crore (provisional) in FY2014-15 (refers to April 01 to March 31) compared to Rs.137.66 crore in FY2013-14.

The group's moderate financial risk profile is evident in the gearing (debt to capital) of 1.17 times as on March 2015 and healthy interest coverage of 2.59 times in FY2014-15. The working capital management has been efficient, evident from the operating cycle of 45 days in FY2014-15. The group benefits from its experienced management. The promoters have more than two decades of experience in the liquor industry.

However, the group operates with thin profit margins due to the trading nature of business. Besides, the liquidity is stretched evident from the high utilisation of (~98 percent) of cash credit limit from December 2014 to May 2015. The Indian liquor industry is highly regulated and the group faces intense competition from other industry players too.

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**Outlook;Stable**

SMERA believes that the Walvekar Group will continue to benefit over the medium term from the promoters' extensive experience in the liquor wholesale segment. The outlook may be revised to 'Positive' if the group's financial risk profile improves resulting in healthy cash accruals. Conversely, the outlook may be revised to 'Negative' if the liquidity weakens with unanticipated stretch in its working capital cycle.

About the Group

The Walvekar Group, established in 1995 undertakes wholesale trading of Indian Made Foreign Liquor (IMFL), beer, and wine in Pune, Maharashtra. The group is the sole distributor of a portfolio of brands of United Spirits Ltd, Delta Distilleries Private Limited, Grover Zampa Vineyards Limited and York Winery Private Limited for Pune. Further, the group is an exclusive distributor for Carlsberg India Ltd in Pune.

About the Firm

The Pune-based Walvekar Sons is engaged in the distribution of IMFL, beer and imported liquor in Pune. Established in 2005, the firm was promoted by Mr. Kiran Walvekar and Mr. Manoj Walvekar and continues operations under the FL1 (Foreign Liquor) license issued by the State of Government of Maharashtra.

For FY2014–15, WS reported net profit of Rs.0.75 crore on total income of Rs.77.75 crore, as compared with net profit of Rs.0.35crore on total income of Rs.31.34 crore in FY2013–14. The firm's net worth stood at Rs.4.15 crore as on March 31, 2015, as compared with Rs.3.42crore a year earlier.

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*Rating
Rationale***Contact List:**

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