

Walvekar Sons: Reaffirmed

Facility	Amount (Rs Crore)	Rating/Outlook
Cash Credit	6.50	SMERA BBB/Positive (Revised from SMERA BBB/Stable)

SMERA has reaffirmed the rating of **'SMERA BBB' (read as SMERA triple B)** on the Rs.6.50 crore bank facility of Walvekar Sons (WS). The outlook is revised from **'Stable'** to **'Positive'**.

The rating continues to derive comfort from the experienced management, above average financial risk profile and long track record of operations. Further, the rating is also supported by the healthy revenue growth and efficient working capital management. However, the rating is constrained by the thin profit margins, moderate liquidity position and the highly regulated liquor industry. The rating also notes that the group is exposed to intense market competition.

SMERA has consolidated the business and financial risk profiles of WS and Walvekar Brothers and Company (WBC) referred to as the Walvekar Group. The consolidation is in view of similarity in the business models and common ownership.

Update

The Walvekar Group is engaged in the wholesale trading of Indian-made foreign liquor (IMFL), beer, and wine in Pune. The group continues to benefit from its experienced management. Mr. Kiran Walvekar and Mr Manoj Walvekar, Partners have more than two decades of experience in the wholesale of liquor. The group registered healthy growth in revenue from Rs.234.68 crore in FY2014-15 to Rs.347.63 crore in FY2015-16 (provisional). From April to July 2016, the group registered revenues of Rs.139.09 crore as compared to Rs.115.66 crore during the corresponding period last year. Out of the total revenue of Rs.347.63 crore, sales from Carlsberg accounted for Rs.243.88 crore. The group's margins continue to remain thin due to the nature of business. The EBIDTA margins stood at 2.38 per cent for FY2015-16 as compared to 2.54 per cent for FY2014-15. Further, the net margin was 1.09 per cent for FY2015-16 as compared to 1.00 per cent in the previous year. The financial risk profile continues to be above average marked by ICR of 3.27 times as on March 31, 2016 (provisional) as against 2.45 times on March 31, 2015. The gearing stood at 0.95 times as on March 31, 2016 (provisional) as compared to 1.19 times in the previous year.

The Walvekar Group has managed its working capital cycle efficiently evident from the stable GCA of 60 days for FY2015-16 (60 days for FY2014-15).

However, the liquidity position is stretched with average utilisation of cash credit account at 95 per cent from October 2015 to July 2016. Besides, the group faces customer concentration risk as more than 80 per cent of revenues are generated from Carlsberg India Private Limited. Additionally, the Indian liquor industry is highly regulated and the group faces intense competition from other industry players.

Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Efficient working capital management

Outlook-Positive

SMERA believes that the outlook on the facilities of the Walvekar Group will remain 'Positive' over the medium term. The rating may be upgraded in case the company registers higher than expected growth in revenues and profitability while maintaining stable liquidity profile on account of increase in net cash accruals and timely enhancement in bank lines. Conversely, the outlook may be revised to 'Stable' if liquidity weakens on account of stretch in working capital cycle.

Criteria applied to arrive at the rating:

- Trading Entities

About the Group

The Walvekar Group, established in 1995 undertakes wholesale trading of Indian-made foreign liquor (IMFL), beer, and wine in Pune. The group is the sole distributor of a portfolio of brands including United Spirits Ltd, Delta Distilleries Private Limited, Grover Zampa Vineyards Limited among others. Moreover, the group is the exclusive distributor for beer of Carlsberg India Ltd in Pune.

For FY2014-15, the consolidated profit after tax (PAT) is Rs.2.36 crore on operating income of Rs.234.68 crore as compared to PAT of Rs.1.27 crore on operating income of Rs.137.73 crore for FY2014-15. Further, for FY2015-16, the consolidated PAT is Rs.3.79 crore on operating income of Rs.347.63 crore (provisional).

On standalone basis, WS reported PAT of Rs.0.75 crore on operating income of Rs.77.91 crore for FY2014-15 as compared to PAT of Rs.0.75 crore on operating income of Rs.31.27 crore for FY2013-14.

Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
28 July, 2015	Cash Credit	6.50	SMERA BBB (Assigned)	-	Stable

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ABOUT SMERA

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