

Press Release

Walvekar Sons (WS)

22 December, 2017



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 10.80 Cr. (Enhanced from Rs. 6.50 Cr.)
Long Term Rating	SMERA BBB/Positive (Reaffirmed)
Short Term Rating	SMERA A2 (Assigned)

**Refer annexure for details*

SMERA has reaffirmed the long term rating of '**SMERA BBB**' (read as **SMERA triple B**) on the Rs. 9.00 crore bank facilities of Walvekar Sons (WS). The outlook is '**Positive**'.

Further SMERA has assigned short term rating of '**SMERA A2**' (read as **SMERA A two**) on the Rs. 1.80 crore bank facilities of Walvekar Sons.

The Pune-based Walvekar Sons was established in 2005. The firm is engaged in the distribution of IMFL (Indian made foreign liquor) products - beer and imported liquor in Pune. The firm supplies stocks only to liquor shops (FL I License), beer shops (FL II License) and permit rooms (FL III License).

Analytical approach:

SMERA has consolidated the business and financial risk profiles of Walvekar Brothers and Company (WBC) and Walvekar Sons (WS), hereinafter referred to as the Walvekar Group. The consolidation is on account of the common management, similarities in the lines of business and common bank collateral.

Key rating drivers

Strengths

Experienced management and established track record of operations

The Walvekar Group, established in 1995, is promoted by Mr. Kiran Walvekar and Mr Manoj Walvekar, Partners. The promoters have more than two decades of experience in liquor the wholesale business segment. The Walvekar group has an established track record of operations with the group being in the same line of business since the year 1995. The group is an authorized dealer of USL (since 1995) and Carlsberg India Limited (since 2014).

Healthy financial risk profile

The Walvekar group has a healthy financial risk profile, marked by net worth of Rs. 31.03 crore as on 31 March, 2017 compared to Rs. 23.21 crore as on 31 March, 2016. It includes unsecured loan of Rs. 8.23 crore as on 31st March, 2017, considered as quasi equity. The gearing improved to 0.56x times as on 31 March, 2017 from 0.94x times as on 31 March, 2016 due to infusion of

fresh equity of Rs.6.58 crore by promoters. The total debt of Rs.17.50 crore mainly comprises working capital borrowings of Rs. 17.26 crore as on 31 March, 2017. The interest coverage ratio stood at 3.46x times in FY2017 as against 3.23x times in FY2016. The total outside liabilities/tangible net worth (TOL/TNW) stood at 1.31x times as on 31 March, 2017 as against 1.87x times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.26x times as on 31 March, 2017 as against 0.18x times as on 31 March, 2016. Going forward, SMERA expects the company to maintain its financial risk profile and improve its net worth in the absence of any major debt funded capex plan.

Working capital cycle continues to be healthy

The working capital cycle of the Walvekar Group is moderate marked by high Gross Current Assets (GCA) of 69 days in FY2017 compared to 68 days in FY2016. The GCA days are mainly dominated by inventory of 44 days in FY2017 compared to 24 days in FY2016. The average cash credit utilisation has been around 75.00 per cent during August to October 2017. SMERA believes that it is imperative for the firm to follow an efficient working capital management in order to maintain a stable credit profile.

Weaknesses

Highly regulated business

The alcohol industry in India is highly regulated. Movement of liquor between various states in India is subject to multiple tax laws and regulations, thus making sales beyond state boundaries difficult.

Low profitability marked by trading nature of business

The profit margins of the group stand low at 1.26 per cent in FY2017 compared to 1.16 per cent in FY2016. Low profit margins are usually on account of trading nature of business, limited pricing flexibility, with prices being dictated by the manufacturers of IMFL.

Inherent capital withdrawal risk

Both the group companies, being in a partnership format, are exposed to capital withdrawal risk.

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 sustainable growth in revenues and profitability while maintaining stable debt protection matrix. Conversely, the outlook may be revised to 'Stable' if liquidity weakens on account of stretch in working capital cycle or decline in the debt protection matrix.

About the Group

The Walvekar group, established in 1995 undertakes wholesale trading of Indian-made foreign liquor (IMFL), beer, and wine in Pune. It is the sole distributor of a portfolio of brands of United Spirits Ltd, Delta Distilleries Private Limited, Grover Zampa Vineyards Limited and others in Pune as also an exclusive distributor of beer brands of Carlsberg India Ltd. The group has two companies namely, Walvekar Brothers and Company (WBC) and Walvekar Sons (WS).

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	348.46	328.14	234.68
EBITDA	Rs. Cr.	9.33	8.33	5.96
PAT	Rs. Cr.	4.39	3.82	2.36
EBITDA Margin	(%)	2.68	2.54	2.54
PAT Margin	(%)	1.26	1.16	1.00
ROCE	(%)	20.42	21.49	19.42
Total Debt/Tangible Net Worth	Times	0.56	0.94	1.19
PBDIT/Interest	Times	3.46	3.23	2.45
Total Debt/PBDIT	Times	1.88	2.61	3.13
Gross Current Assets (Days)	Days	69	68	69

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

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

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
02-Sep-2016	Cash Credit	Long Term	6.50	SMERA BBB/ Positive (Reaffirmed)
28-Jul-2015	Cash Credit	Long Term	6.50	SMERA BBB/ 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	9.00 (Enhanced from 6.50 crore)	SMERA BBB/ Positive (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.80	SMERA A2 (Assigned)

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ABOUT SMERA

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