

Press Release

Millennium Spirits Private Limited (MSPL)

25 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.5.50 Crore
Long Term Rating	SMERA BBB-/Stable (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs.5.50 crore bank facilities of Millennium Spirits Private Limited (MSPL). The outlook is '**Stable**'.

MSPL, incorporated in 2006, is a Pune-based wholesaler of Indian Made Foreign Liquor (IMFL), beer, and wine. The company is the exclusive distributor for Budweiser beer (Ab-Inbev India Private Limited) and Officer's Choice whisky (Allied Blenders & Distillers Private Limited) in Pune.

List of key rating drivers and their detailed description

Strengths:

Experienced management and established track record of operations: The promoters, Mr. Vijay M Kutty and Mrs. Priscilla V Kutty, have more than two decades of experience in the alcohol industry.

Comfortable financial risk profile: MSPL's financial risk profile is marked by comfortable gearing of 1.37 times as on 31 March, 2016. The coverage indicators are moderate with interest coverage ratio of 3.32 times for FY2015-16 as compared to 1.99 times for FY2014-15. The debt service coverage ratio stood at 2.17 times for FY2015-16 as against 1.66 times for FY2014-15.

Comfortable working capital cycle: MSPL's working capital cycle remained comfortable at 37 days in FY2015-16 (PY: 36 days). The debtor days for FY2016 stood at around 40 days and inventory at about 15 days. The average cash credit limit utilisation has been ~85 per cent in the last six months ended November 2016.

Robust revenue growth: MSPL achieved revenue of Rs.153.06 crore in FY2016 as against Rs.91.84 crore in FY2014-15. The 66 per cent growth in revenue in FY2015-16 over FY2014-15 is mainly due to acquisition of customers in Pune City. The company has registered revenue of Rs.112.25 crore during April – November 2016.

Weaknesses:

Highly regulated business: The alcohol industry in India is highly regulated. Besides, there are multiple tax laws that the industry needs to comply with.

Intense competition: The ratings factor in the intense competition in the alcohol industry and changing consumer preferences that can have a major bearing on sales.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of MSPL.

Applicable Criteria

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

Outlook: Stable

SMERA believes that MSPL will continue to maintain a stable outlook over the medium term owing to its promoters' extensive experience in the wholesale of liquor. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues and cash accruals while achieving a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and cash accruals, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity

MSPL, incorporated in 2006, is a Pune-based wholesaler of Indian Made Foreign Liquor (IMFL), beer, and wine. The company is the exclusive distributor for Budweiser beer (Ab-Inbev India Private Limited) and Officer's Choice whisky (Allied Blenders & Distillers Private Limited) in Pune. The company is also a distributor for Radico Khaitan Limited and Beam Global Spirits & Wine (India) Private Limited in Pune.

For FY2015-16, MSPL reported profit after tax (PAT) of Rs.1.77 crore on operating income of Rs.153.06 crore, as against PAT of Rs.0.38 crore on operating income of Rs.91.84 crore in FY2014-15. The net worth stood at Rs.6.09 crore as on 31 March, 2016 against Rs.4.32 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	5.30	SMERA BBB-/Stable (Reaffirmed)	-	-	29 July, 2015	SMERA BBB-/Stable (Assigned)	-	-
Proposed Fund Based	LT	0.20	SMERA BBB-/Stable (Reaffirmed)	-	-	29 July, 2015	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	N.A	N.A	N.A.	5.30	SMERA BBB-/Stable (Reaffirmed)
Proposed Fund Based	N.A	N.A	N.A	0.20	SMERA BBB-/Stable (Reaffirmed)

Note on complexity levels of the rated instrument:

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

Contacts:

Analytical	Rating Desk
Mr. Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Ms. Sheetal Patankar, Manager – Corporate Ratings, Tel: 022-67141111 Email: sheetal.patankar@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.