

Sambaragi Traders: Reaffirmed

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	22.50	SMERA BB+/Stable (Reaffirmed)
Term Loan	1.70	SMERA BB+/Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA BB+**' (**read as SMERA double B plus**) on the Rs.24.20 crore bank facilities of Sambaragi Traders (ST).

The rating continues to draw comfort from the firm's established track record of operations, healthy growth rate in operating income and stable operating margins. However, the rating is constrained by the moderate financial risk profile, partnership constitution of the firm and the highly regulated liquor trading industry.

Updates

ST trades in Indian-made foreign liquor (IMFL). The firm registered healthy growth rate in revenues at a CAGR of 27.96 percent from FY2014-16 on the back of strong volume growth. The operating income stood at Rs.174.75 crore in FY2015-16 as against Rs.150.56 crore in FY2014-15. Further, the EBITDA margins remained stable at 2.82 per cent in FY2015-16 against 2.77 per cent in FY2014-15.

The financial risk profile of ST is marked by moderate net worth of Rs.6.31 crore as on 31 March 2016. The gearing increased to 3.88 times as on March 31, 2016 as against 3.02 times as on 31 March 2015. The interest coverage ratio stood at 1.96 times for FY2015-16 as against 2.01 times for FY2014-15. The firm's liquidity profile is stretched as it continues to fully utilise its working capital limit.

The rating also factors in the high risk inherent in the liquor industry by virtue of stringent government regulations and significant increase in the license fee payable to state governments. The rating also takes into account the partnership constitution of the firm exposing it to risks of capital withdrawal.

Rating Sensitivity Factors

- Scaling up operations while maintaining comfortable financial risk profile
- Changes in government regulations

Outlook: Stable

SMERA believes that ST will maintain a stable outlook and continue to benefit over the medium term from its promoters' extensive experience in the liquor retail business. The outlook may be revised to 'Positive' if the firm achieves higher than expected revenues while maintaining liquidity profile. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability or if the financial risk profile deteriorates.

Criteria applied to arrive at the rating:

- Trading Entities

About The Firm

ST, established by Mr. S.V. Pattanshetti commenced operations in 1973. The firm is headed by Mr. R.M. Sambaragi, Mr. B.S. Pattanshetti, Mr. Manish R. Sambaragi and others. The firm trades in IMFL for United Spirits Ltd and Daigeo India Private Limited and is the dealer for Kolhapur, Sangli, Ratnagiri and Sindhudurg regions.

For FY2015-16, ST reported net profit of Rs.1.46 crore on operating income of Rs.174.75 crore as against net profit of Rs 1.50 crore on operating income of Rs.150.56 crore in the previous year.

Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
04 August, 2015	Cash Credit	15.75	SMERA BB+ (Assigned)	-	Stable
	Proposed Cash Credit	6.75	SMERA BB+ (Assigned)	-	Stable
	Term Loan	1.70	SMERA BB+ (Assigned)	-	Stable

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ABOUT SMERA

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