

December 16, 2015

| Facilities | Amount (Rs. Crore) | Rating |
|--|--------------------|-----------------------------|
| Cash Credit | 120.00 | SMERA BBB/Stable (Assigned) |
| Cash Credit (Proposed) | 125.00 | SMERA BBB/Stable (Assigned) |
| Non-Convertible Debentures (NCDs) (Proposed) | 35.00 | SMERA BBB/Stable (Assigned) |

SMERA has assigned a rating of '**SMERA BBB**' (read as **SMERA triple B**) to the abovementioned bank facilities of Pincon Spirit Limited (PSL). The outlook is '**Stable**'.

To arrive at the rating, SMERA has combined the business and financial risk profiles of PSL and its subsidiaries - Paul Distributors Private Limited, Priya Laboratories Private Limited and Yours Laboratories Private Limited together referred to as the 'PSL Group'. The consolidation is in view of the common ownership, strong business and finance linkages between the entities.

The rating is supported by the healthy financial risk profile marked by low gearing (debt to equity ratio) of 0.78 times as on March 31, 2015. The rating also draws comfort from the healthy profitability and coverage indicators, strong distribution network and experienced management. Besides, the established brand presence of 'Pincon' in West Bengal and the eastern states are other factors that have been taken into account. However, the rating is constrained by the working capital-intensive operations and intense market competition.

Outlook: Stable

SMERA believes PSL and its group companies will maintain a stable business risk profile over the medium term and continue to benefit from its experienced management and established customer relations. The outlook may be revised to 'Positive' in case PSL and group companies register strong growth in revenues and cash accruals while achieving a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' if there's significant decline in revenues and cash accruals or deterioration in the financial risk profile and liquidity position.

Rating Sensitivity Factors

- Effective working capital management
- Improvement in the financial risk profile

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About the Group

The PSL Group comprises four entities viz., PSL, Paul Distributors Private Limited, Priya Laboratories Private Limited and Yours Laboratories Private Limited. PSL (formerly known as Sarang Viniyog Ltd.) was incorporated in 1978. The company is engaged in the Blending, Bottling, Distribution & Trading of Indian Made Foreign Liquor (IMFL), sold under the 'Pincon' brand name and edible oil.

Paul Distributors Private Limited and Priya Laboratories Private Limited are engaged in wholesale trading and distribution and, blending and bottling of IMFL respectively. Yours Laboratories Private Limited is also into blending and bottling of IMIL i.e. Country Liquor in cheap liquor segment and sells under the 'Bangla No. 1' brand name.

For FY2014-15, PSL reported net profit of Rs.17.68 crore on total income of Rs.701.00 crore, as compared with net profit of Rs.11.30 crore on total income of Rs.477.40 crore in FY2013-14. The group's net worth stood at Rs.117.00 crore (unsecured loans from directors treated as quasi equity) as on March 31, 2015, as compared with Rs.69.32 crore (unsecured loans from directors treated as quasi equity) a year earlier. The group registered revenue of Rs.490.11 crore (provisional) (from April 2015 to September 2015) in FY2015-16.

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