

Essbee Intech Private Limited: Reaffirmed

Facility	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	14.75 (Increased from Rs 9.75 crore)	SMERA BB+/Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) on the Rs.14.75 crore bank facility of Esbee Intech Private Limited (EIPL). The outlook is '**Stable**'. The rating continues to be supported by the group's relatively large scale of operations, improving revenue trend and extensive experience of the promoters. The rating also factors in the long track record of operations of the company in the liquor trading industry. However, the rating is constrained by the low margins and average financial risk profile marked by moderate gearing and coverage indicators. The rating is also constrained by the regulations governing the liquor industry.

Update

SMERA has consolidated the business and financial risk profiles of Ultra Liquor Private Limited, Ultra Trades and Holding Company Private Limited and Essbee Intech Private Limited, together referred to as the Ultra Group. The consolidation is in view of the common ownership and operational linkages within the group.

The group reported marginally higher revenue of Rs.726.44 crore in FY2016 compared to Rs.557.38 crore in FY2015. The group's consolidated revenue has grown at a CAGR of 32.7 per cent in the last three years from Rs.310.73 crore in FY2014 to Rs.726.44 crore in FY2016. While volume of sales has gone up due to the trading and distribution nature of business, the margins are still at low levels. The operating margin has increased marginally to 1.15 per cent in FY2016 compared to 1.00 per cent in FY2015. While net profit margins fell to 0.40 per cent in FY2016 from 0.43 per cent in FY2015 due to increase in interest and finance charges.

The group continues to have average financial risk profile marked by moderate gearing, moderate interest coverage ratios, net cash accruals to total debt and moderate debt protection metrics. The gearing ratio has improved from 1.99 times in FY2015 to 1.55 times in FY2016. The interest coverage declined to 2.20 times in FY2016 compared to 2.71 times in FY2015 but is still at a comfortable level. Moreover, NCA/TD is at 0.12 times in FY2016.

Rating Sensitivity Factors

- Improvement in profit margins
- Improvement in capital structure

Outlook-Stable

SMERA believes that EIPL will maintain a stable outlook owing to its experienced management, long operational track record and increasing revenues. The outlook may be revised to 'Positive' if the company reports better than envisaged sales and net cash accruals while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected revenues or profitability or deterioration in the financial risk profile and liquidity position.

Criteria applied to arrive at the ratings:

- Trading Entities
- Consolidation

About the Company

EIPL, established in 1994, was promoted by Mr. Anil Grover, Ms. Tamali Basu and Mr. Ankit Grover. The company is engaged in the marketing and distribution of IMFL (Indian Made Foreign Liquor) and beer in Kolkata.

For FY2015-16, EIPL reported profit after tax (PAT) of Rs.1.21 crore on operating income of Rs.310.72 crore, as compared with profit after tax (PAT) of Rs.0.81 crore on operating income of Rs.227.10 crore in FY2014-15.

Ultra Group reported consolidated profit after tax (PAT) of Rs.2.89 crore on operating income of Rs.726.44 crore, as compared with profit after tax (PAT) of Rs.2.38 crore on operating income of Rs.557.38 crore in FY2014-15.

Rating History

Date	Facility	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
3, Feb 2016	Cash Credit	9.75	SMERA BB+ (Assigned)	-	Stable

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ABOUT SMERA

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