

Press Release

Mazda & Company

May 13, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 5.00 crore bank facilities of Mazda & Company. The outlook is '**Stable**'.

Mazda & Company (MC), established in 1995, was taken over by Ms. Tamali Basu and Mr. Shankhadeep Dhar in 2010. The company is engaged in the distribution of liquor (beer and wine) in Maharashtra.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The partners Ms. Tamali Basu and Mr. Shankhadeep have more than two decades of experience in the liquor industry. Ms Tamali Basu is associated with Ultra Trades & Holding Company Pvt Ltd rated (SMERA BB+/Stable/A4+), which is in the same line of business (distribution of liquor) since 1986.

Weaknesses

- Below average financial risk profile**

The company continues to have below average financial risk profile marked by high gearing, weak debt protection metrics and low networth. The gearing continues to be high at 1.90 times in FY2016 compared to 1.67 times in FY2015. The total debt of Rs 5.93 crore in FY2016 consist of Cash Credit facility. The interest coverage ratio stood at a low of 1.17 in FY2016 compared to 1.60 in FY2015. The net cash accruals to total debt stood at 0.01 times in FY2016 compared to 0.07 in FY2015. The networth stood low at Rs 3.12 cr in FY2016. SMERA has treated Rs. 2.70 cr of unsecured loans from promoters as quasi equity based on confirmation from the company that this will be maintained in the business over the medium term.

- Thin profit margins**

The company has thin profit margins in line with the trading nature of operations. MC registered marginal increase in operating margins to 2.28 percent from 2.07 percent. The net profit margin declined to a low of 0.06 per cent in FY2016 from 0.73 per cent in FY2015 on account of high interest costs.

- Exposure to regulatory risk**

The rating reflects the company's exposure to risks associated with the regulatory environment surrounding the liquor industry in India. Any adverse changes in the regulations and policies can affect the sales and margins of the company.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that Mazda & Company will maintain a stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company increases its scale of operations and registers sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and profit margins or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, Mazda & Company reported PAT of Rs.0.02 cr on operating income of Rs.36.55 cr, as compared with PAT of Rs.0.25 cr on operating income of Rs.34.76 cr in FY2014-15.

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

None

Any other information

None

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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
09-Feb-2016	Cash Credit	Long Term	INR 5	SMERA B / Stable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B / Stable

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