

Press Release

Mazda & Company

July 30, 2018

Rating Upgraded



| | |
|------------------------------|---|
| Total Bank Facilities Rated* | Rs. 5.00 Cr. ` |
| Long Term Rating | ACUITE B+ / Outlook: Stable (Upgraded from ACUITE B/ Stable) |

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE B**' (read as **ACUITE B**) on the Rs.5.00 crore bank facilities of Mazda & Company. The outlook is '**Stable**'.

Established in 1995, Mazda and Company (Mazda) is a Thane (Maharashtra) based partnership firm taken over by Ms. Tamali Basu and Mr. Shankhadeep Dhar in 2010. The firm is a distributor of liquor for brands such as Kingfisher, Kingfisher Ultra, London Pilsner and Heineken. Mazda primarily supplies to retail wine shop, hotel and restaurants.

The upgrade reflects improvement in the business risk profile with higher than expected growth in revenues during FY2018 (Provisional). The firm registered a year over year growth of 26.21 percent in FY2018 on account of improved demand. The operating revenue stood at Rs.42.24 crore in FY2018 (Provisional) as against Rs.33.46 crore in FY2017. Further the firm has tied up with London Pilsner in FY2018 to distribute its beer and the same is expected to drive the firm's growth going forward.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Tamali Basu and Mr Shankhadeep Dhar have over two decade of experience in distribution of liquor by virtue of their association with group companies – Essbee Intech Private Limited, Ultra Liquor Private Limited and Ultra Trade and Holding Company Private Limited.

Weaknesses

- **Average financial risk profile**

Mazda's adjusted net worth is low at Rs.3.33 crore as on March 31, 2018 (Provisional) as against Rs.3.30 crore as on March 31, 2017. The gearing deteriorated to 2.77 times on March 31, 2018 (Provisional) as against 1.66 times as on March 31, 2017. This was due to an increase in total debt from Rs.5.48 crore to Rs.9.12 crore in FY2018 (Provisional) on account of infusion of unsecured loans amounting to Rs.3.70 crore. The long term loans stood at Rs.0.75 crore and short term borrowings stood at Rs.4.67 crore. Interest Coverage Ratio stood at a moderate 1.39 times for FY2018 (Provisional) as against 1.10 times for FY2017.

- **Exposure to regulatory risk**

The rating reflects the firm'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 firm.

Analytical Approach

Acuité has taken a standalone view of the financial and business risk profile of Mazda to arrive at this rating.

Outlook: Stable

Acuité believes Mazda will continue to maintain a 'Stable' outlook from its established track record. The

outlook may be revised to 'Positive' if there is sustainable increase in revenue profile accompanied by margin improvement. The outlook may be revised to 'Negative' in case the financial risk profile deteriorates due to lower sales or deterioration in profit margins.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 42.24 | 33.46 | 36.55 |
| EBITDA | Rs. Cr. | 1.04 | 0.86 | 0.83 |
| PAT | Rs. Cr. | 0.14 | 0.08 | 0.02 |
| EBITDA Margin | (%) | 2.47 | 2.56 | 2.28 |
| PAT Margin | (%) | 0.32 | 0.24 | 0.06 |
| ROCE | (%) | 8.94 | 11.73 | 10.49 |
| Total Debt/Tangible Net Worth | Times | 2.77 | 1.65 | 1.90 |
| PBDIT/Interest | Times | 1.39 | 1.10 | 1.17 |
| Total Debt/PBDIT | Times | 8.09 | 5.17 | 7.14 |
| Gross Current Assets (Days) | Days | 116 | 107 | 96 |

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Name of the Facilities | Name of Instrument/Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|------------------------|-------------------------------|-----------|--------------------|--------------------------------|
| 13-May-2017 | Cash Credit | Long Term | 5.00 | ACUITE B / Stable (Reaffirmed) |
| 09-Feb-2016 | Cash Credit | Long Term | 5.00 | ACUITE B / Stable (Assigned) |

*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 | ACUITE B+ / Stable (Upgraded) |

Contacts

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|---|---|
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About Acuité Ratings & Research:

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