

February 10, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	13.00	SMERA BB+/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BB+**' (read as SMERA double B plus) to the Rs.13.00 crore bank facility of Rama Wines (RW). The outlook is '**Stable**'.

SMERA has consolidated the business and financial risk profiles of RW and Magnum Traders (MT) together referred to as the RW Group. The consolidation is in view of the common ownership and similar line of business.

The rating derives comfort from the established track record, experienced management and exclusive distributorship agreement with United Breweries Group for selected products. The rating is also supported by the long standing relationship with a large customer base and comfortable working capital cycle. However, the rating is constrained by the low profitability, average financial risk profile marked by relatively high gearing levels and low interest coverage. The rating is also constrained by the highly government regulated and competitive liquor industry and inherent risk of capital withdrawal associated with a partnership/proprietorship concern.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Improving financial risk profile
- Changes in government regulation

Outlook – Stable

SMERA believes that the group will continue to benefit over the medium term from its promoters' extensive experience in the liquor distribution segment. The outlook may be revised to 'Positive' if the group's financial risk profile improves, owing to infusion of long-term funds by the promoters. Conversely, the outlook may be revised to 'Negative' if the group fails to achieve the scalability and profitability or if the financial risk profile deteriorates due to higher-than-expected working capital requirements/debt funded capex.

About the Company

Rama Wines was established in 1980 as a proprietorship concern by Mr. Gurmukh Khubchandani. The firm is a distributor for some of United Breweries Group's well known IMFL and beer brands in Thane Corporation and Kalyan-Dombivli. The day to day operations are managed by Mr. Gurmukh Khubchandani, along with his sons Mr. Sunil and Mr. Anil. The firm has a warehouse in Bhiwandi. Since June 2010, the firm's Raigad operations have been split into a separate company-Magnum Traders.

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For FY2014-15 (standalone), RW reported profit before tax (PBT) of Rs. 1.55 crore on operating income of Rs. 169.02 crore, as compared with profit before tax (PBT) of Rs. 1.44 crore on operating income of Rs. 149.01 crore in FY2013-14.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Suman M National Sales Head – Emerging Corporate Group Tel No: +91-22- 6714 1151 Cell: +91 9892306888 Email: suman.m@smera.in Web: www.smera.in	Pooja Ghosh Associate Vice President – Corporate Ratings Tel: +91-22-6620 1203 Email: pooja.ghosh@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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