

February 10, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA BB+/Stable (Assigned)

SMERA has assigned a long term rating of '**SMERA BB+**' (read as SMERA double B plus) to the Rs.10.00 crore bank facility of Magnum Traders (MT). The outlook is '**Stable**'.

SMERA has consolidated the business and financial risk profiles of MT and Rama Wines (RW) 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 constitution of the firm.

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

Magnum Traders was established in 2010 as a partnership firm by Mr. Gurmukh Khubchandani, Mr. Sunil Khubchandani and Mr. Anil Khubchandani (Partners) mainly to take over the existing operations of Rama Wines (Raigad). MT is a distributor for select products of United Breweries Group including IMFL (Indian Made Foreign Liquor) and beer in Raigad district. The firm's warehouse is located at Panvel.

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For FY2014-15 (standalone), MT reported profit before tax (PBT) of Rs. 0.56 crore on operating income of Rs. 129.27 crore, as compared with profit before tax (PBT) of Rs. 0.61 crore on operating income of Rs. 121.76 crore in FY2013-14.

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