

Press Release

Global Beverages Inc

July 07, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (read as SMERA BB minus) on the Rs. 11.00 crore bank facilities of Global Beverages Inc. The outlook is '**Stable**'.

Global Beverages Inc (GBI), a partnership firm established in 2003, is engaged in the trading of Indian Made Foreign Liquor (IMFL), foreign liquor, imported wines among others. The firm, led by Mr. S Ganeson and Mr. S Santoshkumar is a wholesaler located at Puducherry. The firm has also begun manufacturing, blending and bottling of liquor for National Industrial Corporation Limited.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters possess more than three decades of experience in the liquor industry.

- **Healthy growth in revenue and margins**

GBI has shown healthy growth in revenue of Rs. 54.00 crore in FY2016-17 (Provisional) as against Rs. 40.11 crore in FY2015-16 with the setting up of a manufacturing unit in December 2015. The EBITDA margins improved from 5.98 per cent in FY2015-16 to 6.55 per cent in FY2016-17 (Provisional).

- **Moderate financial risk profile**

The financial risk profile remained moderate marked by low gearing (debt/equity) of 0.94 times as on 31 March, 2016 as against 1.01 times a year earlier. The Interest coverage ratio (ICR) has been moderate at 1.78 times in FY2016 as against 1.58 times in FY2015. The firm has moderate net worth of Rs. 8.01 crore as on 31 March, 2016. The net cash accruals stood at Rs. 1.05 crore with no long term debt obligation. The NCA/TD stood at 0.14 times for FY2016 as against 0.11 times in the previous year. The TOL/TNW has been relatively high at 2.42 times in FY2016.

Weaknesses

- **Stringent regulatory framework**

Since the firm operates in a highly regulated industry, any change in regulations are expected to affect profitability.

- **Competitive and highly fragmented industry**

GBI operates in a highly fragmented industry with high entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

- **Working capital intensive operations**

GBI's operations have remained working capital intensive marked by high gross current assets (GCA) of 212 days in FY2016 as against 153 days in FY2015. The high GCA days are on account of high debtor days of 77 and inventory days of 71 in FY2016.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of Global Beverages Inc to arrive at the rating.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook in the medium term owing to the extensive experience of its promoters. The outlook may be revised to 'Positive' if the financial risk profile, particularly liquidity, improves with infusion of funds. Conversely, the outlook may be revised to 'Negative' if the liquidity weakens due to unanticipated stretch in working capital cycle or withdrawal of capital by promoters.

About the Rated Entity - Key Financials

The firm reported profit after tax (PAT) of Rs 1.00 crore on operating income of Rs 40.11 crore in FY2015-16, as compared with PAT of Rs.0.82 crore on operating income of Rs.37.55 crore 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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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
11-Feb-2016	Overdraft	Long Term	INR 5	SMERA BB- / Stable
	Proposed Overdraft	Long Term	INR 6	SMERA BB- / 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
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.25	SMERA BB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA BB- / Stable

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Analytical

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