

Press Release

Magpie Global Limited

September 26, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 10.00 crore bank facilities of Magpie Global Limited. The outlook is '**Stable**'.

Magpie Global Limited (MGL) incorporated in 2006 is a Mumbai-based company engaged in the trading and distribution of alcoholic beverages, cigarettes, perfumes and toiletries. The company was promoted by Mr. Ashok Garg.

Key Rating Drivers**Strengths**

- Experienced management**

MGL commenced operations in 2006. The promoter, Mr. Ashok Garg has experience of over two decades in the said line of business and is supported by his daughter, Ms. Deepshikha Garg who possesses a decade of experience.

- Comfortable financial risk profile with negligible long term debt**

MGL has average financial risk profile marked by moderate gearing and comfortable coverage indicators. The gearing (debt to equity) stood at 1.07 times as on 31 March, 2016 as against 1.55 times as on 31 March, 2015. For FY2016-17 (Provisional), the gearing stood at 1.59 times. The company reported Interest coverage of 2.47 times in FY2015-16 as against 2.31 times in FY2014-15. The DSCR stood at 1.90 times in FY2015-16 as against 1.59 times in FY2014-15. The total debt of Rs. 3.71 crore mainly includes working capital borrowings of Rs.3.60 crore and vehicle loan (including CPLTD) of Rs. 0.11 crore. The total debt in FY2016-17 (Provisional) stood at Rs.5.33 crore.

- Comfortable working capital cycle**

MGL's working capital cycle has been comfortable at 46 days in FY2015-16 as against 38 days in FY2014-15. For FY2016-17 (Provisional), the working capital cycle has been 63 days. The GCA days increased to 115 in FY2015-16 from 90 in FY2014-15. In FY2016-17 (Provisional), the GCA days were 94. The average cash credit utilisation has been ~60 per cent in the last financial year.

Weaknesses

- Modest scale of operations**

MGL exhibited decline in revenue from Rs.46.88 crore (FY2014-15) to Rs.36.51 crore in FY2015-16 owing to closure of one of its branches at Vasai. In FY2016-17, the company achieved revenue of Rs.45.38 crore (Provisional).

- Foreign currency fluctuation risk**

MGL mainly imports liquor from Holland, Finland, Dubai, USA and London and is thus exposed to foreign exchange fluctuation risk.

• **Regulatory risk**

The company is exposed to unfavourable changes in regulations from time to time.

Analytical Approach

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

Outlook: Stable

SMERA believes that MGL will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of more than expected growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of high working capital requirements leading to stress on margins.

About the Rated Entity - Key Financials

For FY2015-16 MGL reported Profit after Tax (PAT) of Rs.0.46 crore on operating income of Rs.37.03 crore compared to PAT of Rs.0.47 crore on operating income of Rs.49.00 crore in FY2014-15. The net worth stood at Rs.3.47 crore as on 31 March, 2016 against Rs.2.79 crore a year earlier.

Any other information

Not Applicable

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
01-Mar-2016	Cash Credit	Long Term	INR 6	SMERA BB / Stable
	Bank Guarantee	Short Term	INR 1	SMERA A4+
	Proposed Non-Fund based	Short Term	INR 3	SMERA A4+

***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	6.00	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+
Proposed	Not	Not	Not	3.00	SMERA A4+

	Applicable	Applicable	Applicable		
--	------------	------------	------------	--	--

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Shalini Sekar Analyst - Rating Operations Tel: 022-67141146 shalini.sekar@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.