

P N Group: Assigned

Name of the Instrument	Amount (Rs. Crore)	Ratings/Outlook
Overdraft	5.00	SMERA BB/Stable (Assigned)
Bank Guarantee	25.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.30.00 crore bank facilities of P N Group (PNG). The outlook is '**Stable**'.

The ratings draw comfort from the firm's established track record of operations, experienced promoters and moderate financial risk profile. However, the ratings are constrained by the low profitability, highly regulated liquor industry and partnership constitution of the firm.

PNG is a Madhya Pradesh-based partnership firm established in 1985 by Mr. Ghanshyam Rathore. The firm operates government owned outlets of country and foreign liquor in Guna.

PNG benefits from its experienced management. The partners have over three decades of experience in liquor trading. The financial risk profile is moderate marked by comfortable gearing of 0.76 times, interest coverage ratio of 2.70 times and healthy return on capital employed of 12.20 per cent for FY2014-15 (refers to financial year, April 01 to March 31).

However, the ratings are constrained by the low profitability with PAT margin at 1.10 per cent for FY2015 mainly on account of the trading nature of the business. Further, the ratings also factor in the high business risk inherent in the liquor industry by virtue of stringent government controls, regulations affecting the renewal of licenses each year and significant increase in the license fee payable to state governments. The ratings also take into account the partnership constitution of the firm.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Efficient working capital management
- Changes in government regulations

Outlook-Stable

SMERA believes that PNG will continue to benefit over the medium term from its promoters' extensive experience in retailing of liquor. The outlook may be revised to 'Positive' if it achieves higher than expected revenue and improvement in profitability while maintaining its liquidity profile. Conversely, the outlook may be revised to 'Negative' if it fails to achieve scalability and profitability or if the financial risk profile deteriorates owing to higher-than-expected working capital requirements or debt funded capex.

Criteria applied to arrive at the ratings:

- **Trading Entities**

About the Firm

PNG, established as a proprietorship firm in 1985 was converted into a partnership firm in 2015. Promoted by Mr. Ghanshyam Rathore, Mr. Vinod Rathore and Mr. Prakash Rathore, the firm is engaged in the retailing of country liquor and Indian Made Foreign Liquor (IMFL) in Madhya Pradesh.

For FY2014-15, PNG registered net profit of Rs.1.23 crore on operating income of Rs.112.05 crore, as compared with net profit of Rs.1.51 crore on operating of Rs.85.94 crore in FY2013-14.

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ABOUT SMERA

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