

Gendalal Hazarilal & Company: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	6.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee/Letter of Guarantee	7.41	SMERA A3 (Assigned)
Proposed Long Term	0.09	SMERA BBB-/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) to the Rs.13.50 crore bank facilities of Gendalal Hazarilal & Company (GHAC).

The ratings draw comfort from the firm's established track record of operations, healthy scale of business and moderate financial risk profile. However, the ratings are constrained by the highly regulated liquor trading industry and partnership constitution of the firm.

GHAC is a Madhya Pradesh-based partnership firm incorporated in 1998 by Sri Rakesh Kumar Rai and Sri Akhilesh Kumar Rai. The firm is engaged in the retailing of country made and Indian Made Foreign Liquor (IMFL) in Sehore district.

The firm registered growth of around 20 per cent in FY2015 with operating income of Rs.115.22 crore for FY2015 as against Rs.96.44 crore in the previous year. The firm has grown at a CAGR of 28 per cent for the past three years. The improved EBIDTA margins stand at 3.76 per cent in FY2015 as compared to 3.39 per cent in FY2014. The PAT margin stood at 4.04 per cent in FY2015 as against 3.54 per cent in FY2014. The ICR and DSCR of the firm stand healthy at 17.48 times in FY2015. The NCA/TD stood at 1.69 times as on March 31, 2015 as against 1.33 times as on March 31, 2014.

However, the ratings are constrained by the high risk inherent in the liquor industry by virtue of stringent government regulations and significant increase in the license fee payable to state governments. The ratings also factor in the partnership constitution of the firm exposing it to risks of capital withdrawal.

Rating Sensitivity Factors

- Scaling up operations while maintaining comfortable financial risk profile
- Changes in government regulations

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook and continue to benefit over the medium term from its promoters' extensive experience in the liquor retail business. The outlook may be revised to 'Positive' if the firm achieves higher than expected revenues while maintaining liquidity profile. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability or if the financial risk profile deteriorates.

Criteria applied to arrive at the ratings:

- Trading Entities

About The Firm

GHAC is a Madhya Pradesh-based partnership firm established in 1998 by Sri Rakesh Kumar Rai and Sri Akhilesh Kumar Rai. The firm is engaged in the retailing of country made and Indian Made Foreign Liquor (IMFL) in Madhya Pradesh.

For FY2015, GHAC reported net profit of Rs.4.66 crore on operating income of Rs.115.22 crore as against net profit of Rs 3.42 crore on operating income of Rs.96.44 crore in the previous year.

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ABOUT SMERA

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