

Manmeet Singh Bhatia: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	3.00	SMERA B/Stable (Assigned)
Bank Guarantee	8.00	SMERA A4 (Assigned)

SMERA has assigned long term rating of **'SMERA B' (read as SMERA B)** and short term rating of **'SMERA A4' (read as SMERA A four)** to the Rs.11.00 crore bank facilities of Manmeet Singh Bhatia (MSB). The outlook is **'Stable'**.

The ratings derive comfort from the experienced management and moderate debt protection metrics. However, the ratings are constrained by the decline in operating income, uneven profit margins and high gearing, revenue dependent on bidding for tender floated by the state government to run government authorized liquor shops, partnership constitution and the highly regulated liquor industry.

MSB is a Madhya Pradesh-based partnership firm incorporated in 2003 by Mr. Manmeet Singh Bhatia, Mr. Jagjeet Singh Bhatia and Mr. Devendra Singh Bhatia who have more than a decade of experience in the liquor trading business. The firm runs liquor outlets and sells Country Made Liquor (CML) and Indian Made Foreign Liquor (IMFL) in Indore, Madhya Pradesh.

The operating income has registered a decline from Rs.42.97 crore in FY2015 to Rs.21.86 crore in FY2016 (Provisional). This is on account of dependence of yearly bidding for tender floated by the state government to run liquor shops. The EBIDTA margins have remained uneven during the period under study and stand at 4.13 per cent in FY2016 (Provisionals) as compared to 3.01 per cent in FY2015. MSB has a high gearing which stands at 3.78 times as on 31 March 2016 (Provisional) as compared to 2.73 times as on 31 March 2015. ICR stands at 3.24 times in FY2016 (Provisional) as compared to 3.64 times in FY2015 as compared to 3.59 times in FY2014.

MSB's revenues and margins are susceptible to the high risk inherent in the liquor industry, stringent government regulations and significant increase in the license fee. 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

Manmeet Singh Bhatia is a Madhya Pradesh-based partnership firm established in 2003 by Mr. Manmeet Singh Bhatia, Mr. Jagjeet Singh Bhatia and Mr. Devendra Singh Bhatia. The firm is engaged in the retailing of country made and Indian Made Foreign Liquor (IMFL) in Madhya Pradesh. The firm has licenses for 8 shops for FY 2016-17.

For FY2015, MSB reported net profit of Rs.0.97 crore on operating income of Rs.42.97 crore as against net profit of Rs.0.98 crore on operating income of Rs.30.01 crore in the previous year. As per FY2016 Provisionals, the net profit stands at Rs.0.61 crore on operating income of Rs.21.86 crore.

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ABOUT SMERA

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