

Malwa Realities Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Overdraft	1.50	SMERA B/Stable (Assigned)
Bank Guarantee	6.50	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 above mentioned bank facilities of Malwa Realities Private Limited (MRPL). The outlook is '**Stable**'.

The ratings draw comfort from the experienced promoters. However, the ratings are constrained by the limited track record of operations and average financial risk profile. The ratings also note the low profitability and highly regulated liquor industry.

MRPL is a Madhya Pradesh-based company incorporated in 1999 by Mr. Harminder Singh Bhatia, Director. The company trades in liquor (country and foreign liquor) through ~10 government owned outlets in Dhar District (MP). The promoter possesses extensive experience in the liquor trading business.

The financial risk profile has been average, marked by low networth of Rs.1.45 crore and high gearing (debt-equity) of 2.09 times (Provisional) as on March 31, 2016. The company's interest coverage ratio (ICR) was at 1.70 times in FY2016.

However, the ratings are constrained by the low profitability with PAT margin at 1.04 per cent (Provisional) for FY2016 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, changing government regulations and significant increase in the license fee payable to state governments.

Rating Sensitivity Factors

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

Outlook-Stable

SMERA believes that MRPL will maintain a stable outlook and benefit over the medium term from the 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 the company 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 Company

MRPL, incorporated in 1999, was engaged in development of a commercial building in Indore (MP). Subsequently, the company began retailing of liquor in Dhar District (MP) from FY 2015-16.

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.19 crore (Provisional) on operating income of Rs.18.70 crore. The net worth stood at Rs.1.45 crore as on 31 March, 2016 as compared with Rs.2.41 crore, a year earlier.

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ABOUT SMERA

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