

Press Release

Malwa Realities Private Limited (MRPL)

16 March, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs.8.00 Cr.
Long Term Rating	SMERA B+ /Outlook: Stable (Upgraded from SMERA B/Stable)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer annexure for details*

SMERA has upgraded the long term rating to '**SMERA B+**' (read as **SMERA B Plus**) from '**SMERA B**' (read as **SMERA B**) and reaffirmed short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 8.00 cr. bank facilities of Malwa Realities Private Limited (MRPL). The outlook is '**Stable**'.

MRPL is a Madhya Pradesh-based company incorporated in 1999 by Mr. Harinder 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.

Key rating drivers

Strengths

Experienced Management

Mr. Harinder Singh Bhatia, director has experience of over two decade in aforementioned line of business. The company has 11 liquor shops at Dhar, Madhya Pradesh.

Comfortable Working Capital nature of operations

MRPL has comfortable working capital nature of operations marked by low inventory days of 8 for FY2017 as compared to 18 for FY2016. The company sells the products in cash hence there are no debtor days. Further creditor days stood at 04 in FY2017 as compared to 32 in FY2016.

Moderate Financial Risk Profile

The financial risk profile of MRPL is moderate marked by net worth of Rs.4.36 crore as on 31 March, 2017 as compared to Rs.1.56 crore as on 31 March, 2016. The net worth as on 31 March, 2017 includes quasi equity of Rs.3.01 crore as compared to 0.83 crore as on 31 March, 2016. Gearing (debt-equity) stood at 0.83 times as on 31 March, 2017 as compared to 1.93 times as on 31 March, 2016. The total debt as on 31 March, 2017 includes long term debt of Rs.2.15 crore and working capital facility of Rs.1.48 crore. The interest coverage ratio stood at 2.26 times for FY2017 as compared to 1.62 times for FY2016. DSCR stood at 1.31 times for FY2017 as

compared to 1.44 times for FY2016. Further, SMERA believes the financial risk profile for MRPL will remain moderate in absence of major debt funded capex.

Weaknesses

Revenue dependent on Bidding

MRPL presently operates from 11 stores. However, revenue is dependent on yearly bidding to acquire new shop licenses. Hence, the business is highly dependent on the firm's ability to successfully bid for the contracts. However, the promoters' experience and relationship partially mitigates this risk.

Presence in highly regulated industry

The ratings are constrained by the stringent regulations and significant increase in the license fee payable to state governments.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of MRPL to arrive at the rating.

Outlook - Stable

SMERA believes that the company will 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's achieves higher than expected revenue and improvement in profitability while maintaining its liquidity profile. Conversely, the outlook may be revised to 'Negative' if company fails to achieve the scalability and profitability or if financial risk profile deteriorates owing to higher-than-expected working capital requirements/debt funded capex.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	53.15	17.74	0.02
EBITDA	Rs. Cr.	1.43	0.47	-0.02
PAT	Rs. Cr.	0.61	0.18	0.03
EBITDA Margin	(%)	2.69	2.64	-82.76
PAT Margin	(%)	1.15	1.03	140.83
ROCE	(%)	25.29	17.92	6.82
Total Debt/Tangible Net Worth	Times	0.83	1.93	0.23
PBDIT/Interest	Times	2.26	1.62	1.33
Total Debt/PBDIT	Times	2.29	4.47	3.13
Gross Current Assets (Days)	Days	52	87	84

Status of non-cooperation with previous CRA (if applicable):

None

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
07-Sep-2016	Secured Overdraft	Long Term	1.50	SMERA B / Stable (Assigned)
	Bank Guarantee	Short Term	6.50	SMERA A4 / (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B+ / Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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