

### Castle Liquors Private Limited: Assigned

Facilities	Amount (Rs.Crore)	Rating/Outlook
Cash Credit	12.00	SMERA BBB/Stable (Assigned)
Long Term Bank Facility (Proposed)	2.00	SMERA BBB/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BBB**' (read as **SMERA triple B**) to the Rs.14.00 crore long term bank facilities of Castle Liquors Private Limited (CLPL). The outlook is '**Stable**'.

The rating draws comfort from the extensive experience of the promoters in the liquor trading business, established relations with principal and improving revenue trend. The rating is also supported by the healthy financial risk profile marked by low gearing, healthy debt protection metrics and strong liquidity profile. The rating also notes the efficient working capital management marked by low gross current asset days. However, the rating is constrained by the low profitability, product concentration in revenue profile and regulated nature of the liquor industry.

The promoter of CLPL, Mr. Hiranmoy Gon, has experience of over two decades in the abovementioned line of business. Over the years, CLPL has established itself as the largest distributor of Allied Blenders and Distillers Private Limited for Officers' Choice and the second largest distributor of Carlsberg (I) Private Limited for Carlsberg and Tuborg in West Bengal. It is also a distributor for Radico Khaitan Ltd., Bacardi Limited, United Spirits Limited and Diageo in West Bengal.

The revenues of CLPL have shown a year on year growth of 21 per cent in FY2016 compared to FY2015. Revenues stood at Rs.331.11 crore in FY2016 as against Rs.273.85 crore in FY2015 and Rs.218.95 crore in FY2014.

CLPL's healthy financial risk profile is marked by low debt equity ratio of 1.35 times in FY2016. The rating also draws support from the healthy debt protection metrics marked by interest coverage ratio of 3.85 times, DSCR of 2.68 times and net cash accruals to total debt ratio of 18 percent in FY2016. Further, the liquidity profile is comfortable indicated by the average utilisation of 80 percent of the cash credit limit in FY2016.

The above rating also factors in the efficient working capital operations marked by low gross current asset days of 44 days in FY2016. The inventory and debtor days stood at 8 and 32 respectively in FY2016.

However, the rating is constrained by the company's low net profitability of 0.56 percent in FY2016 due to the trading nature of operations. The ratings also take into account the dependence of CLPL on a single product. SMERA notes that CLPL currently derives around 60 percent of its revenue from sale of Officers' Choice.

### Rating Sensitivity Factors

- Scaling up operations and sustaining the same
- Improvement in profitability

## Outlook-Stable

SMERA believes that CLPL will maintain a stable outlook in the medium term while benefitting from its promoters' experience in the liquor trading business, reputed principal, established market presence and healthy financial risk profile. The outlook may be revised to 'Positive' if CLPL scales up operations while improving profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues or if the profitability declines.

## Criteria applied to arrive at the rating:

- Trading Entities

## About the Company

Established in 2003, CLPL is a Bengal-based liquor trading company engaged in the marketing and distribution of Officers' Choice, Carlsberg and Tuborg beer. The company is also a distributor for Radico Khaitan Ltd., Bacardi Limited, United Spirits Limited and Diageo in the entire West Bengal region. The day-to-day operations are managed by Mr. Hiranmoy Gon and Mrs. Sudipa Gon.

For FY2015-16 (refers to financial year April 01 to March 31), CLPL reported profit after tax (PAT) of Rs.1.84 crore on operating income of Rs.331.19 crore, as compared with profit after tax (PAT) of Rs.1.55 crore on operating income of Rs.273.92 crore in FY2014-15.

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## ABOUT SMERA

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