

Press Release

Castle Liquors Private Limited

December 05, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.00	ACUITE BB- Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	14.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs. 14.00 crore bank facilities of Castle Liquors Private Limited (CLPL). The rating has been withdrawn on Acuite's policy of withdrawal of ratings.

The rating has been withdrawn on account of the request received from the company, and the NOC received from the banker.

Rationale for the rating

The rating reaffirmation takes into account the steady business risk profile of the company. Further, the rating also draws comfort from experienced promoter and the company's long track record in the industry. These strengths are however, offset by the working capital intensive in nature of operations and the vulnerability to changing regulatory environment along with average financial risk profile.

About the Company

Established in 2003, CLPL is a Bengal-based liquor trading company engaged in the marketing and distribution of Allied Blenders and Distillers Pvt. Ltd for brands of Officers' Choice and Radico Khaitan Ltd for Indian Made Foreign Liquor (IMFL), and Carlsberg (I) Pvt. Ltd. for Carlsberg & Tuborg beer (South Bengal). CLPL is also a wholesaler for Pernod Ricard India Pvt Ltd, United Spirits Ltd., Diageo, Beam Global Spirits and Wine Inc. for IMFL in the entire West Bengal region. The day-to-day operations are managed by Mr. Hiranmoy Gon and Mrs. Sudipa Gon.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of CLPL to arrive at the rating.

Key Rating Drivers

Strengths

- Extensive experience of promoters in the industry

The promoter of CLPL, Mr. Hiranmoy Gon, has an experience of over two decades in the liquor 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. Acuité derives comfort from the extensive experience of the promoters.

- **Average financial risk profile**

CLPL's average financial risk profile is marked by modest net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth increased to Rs. 10.78 Cr as on FY2022 from Rs.10.66 Cr as on FY2021. Gearing of the company stood at 0.36 on FY2022 as compared to 0.03 as on FY2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 1.13 times as on FY2022 as against 0.05 times as on FY2021. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 3.52 times as on FY2022 and Debt Service Coverage Ratio at 3.38 times as on FY2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.11 times as on FY2022. Acuité believes that financial risk profile is expected to be remain average over the medium term in absence of any major debt funded capex plans.

Weaknesses

Working capital intensive nature of operations

The working capital-intensive nature of operations of the company is marked by high Gross Current Asset days (GCA) of 513 days as on FY2022 due to high inventory days. The inventory period stood at 151 days as on FY2022. However, the debtor days stood comfortable at 86 days as on FY2022. Acuité believes that the working capital management of CLPL will remain intensive over the medium term due to the given the nature of the liquor industry.

Low scale of operations coupled with negative operating profitability margin

The company operating revenues stood low at Rs. 13.11 Cr. In FY2022 as compared to Rs. 0.13 Cr. in FY2021. The profitability margins of the company stood negative at (2.76) per cent in FY2022 as compared to (454.21) in FY 2021. The profitability margin of the company impacted due to change in the distribution has taken over by the government from private parties which has further impacted the overall profitability margin of the company. The company has a thin PAT margin of 0.90 per cent on FY2022. Further, the PAT margin is supported by other income which consisting of commission received, Interest received, Interest from Vansh Jutex LLP and Sundry Balances written Back. The RoCE of the company stood at 2.54 per cent in FY22 as compared to 0.85 per cent in FY21.

Rating Sensitivities

None

Material covenants

None

Liquidity Position

Stretched

The company's liquidity position is stretched marked by low net cash accruals of Rs.0.43 Cr in FY2022 as against nil long-term debt repayment during the same period. The current ratio stood at 1.58 times as on March 31, 2022, as compared to 13.58 times as on 31st March 2021. Moreover, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 513 days as on March 31, 2022. Acuité believes that going forward the liquidity position of the company will remain at similar levels due to the low net cash accruals.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	13.11	0.13
PAT	Rs. Cr.	0.12	0.05
PAT Margin	(%)	0.90	40.88
Total Debt/Tangible Net Worth	Times	0.36	0.03
PBDIT/Interest	Times	3.52	572.57

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 May 2022	Proposed Working Capital Demand Loan	Long Term	2.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	12.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
16 Feb 2021	Cash Credit	Long Term	12.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Proposed Working Capital Demand Loan	Long Term	2.00	ACUITE BB (Downgraded and Issuer not co-operating*)
13 Dec 2019	Proposed Working Capital Demand Loan	Long Term	2.00	ACUITE BB+ (Downgraded from ACUITE BBB)
	Cash Credit	Long Term	12.00	ACUITE BB+ (Downgraded from ACUITE BBB)
06 Mar 2019	Proposed Working Capital Demand Loan	Long Term	2.00	ACUITE BBB (Issuer not co-operating*)
	Cash Credit	Long Term	12.00	ACUITE BBB (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BB- Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB- Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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