

Shivalik India Alco Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	8.00	SMERA BB/Stable (Assigned)
Bank Guarantee	1.50	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (**read as SMERA double B**) on the Rs.8.00 crore long term (fund based) bank facility and '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.1.50 crore short term (non-fund based) bank facility of Shivalik India Alco Private Limited (SIAPL). The outlook is '**Stable**'. The ratings derive comfort from the experienced management, moderate scale of operations and financial risk profile. However, the rating strengths are partially offset by weak profitability profile, intense competition and regulatory policies in the liquor industry.

The Maharashtra based SIAPL was incorporated in 2001 by Mr Dutta and family to undertake wholesale trading of liquor in Mumbai. Mr. Ashok Nityanand Dutta, Director, has more than two decades of experience in the company's line of business. In FY2015-16 (provisional), the company reported operating income of Rs.104.55 crore against Rs.73.66 crore in FY2014-15 (refer to financial year, from April 1 to March 31st).

The company has moderate financial risk profile evident from the leverage (Total outside liability to total net worth ratio) of 1.93 times (provisional) in FY2015-16 against 2.15 times in FY2014-15. SAIPL has total debt of Rs.6.50 crore (provisional), that includes unsecured loans of Rs.1.96 crore from promoter friends and relatives that are subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity. The company has moderate to healthy interest coverage ratio and net cash accrual to total debt (NCA/TD) of 3.07 times and 0.18 times (provisional), respectively in FY2015-16 in contrast to 2.54 times and 0.15 times, respectively in FY2014-15.

However, the company has weak profitability profile evident from the operating margins of 1.57 per cent (provisional) in FY2015-16, which has moderated from 1.93 per cent in FY2014-15. SAIPL is exposed to intense competition from other liquor trading players in Mumbai. SMERA also notes that the profitability profile is vulnerable to changes in regulations governing liquor trading in Maharashtra.

Outlook: Stable

SMERA believes that SAIPL will maintain a stable outlook over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case of significant and sustained improvement in operating income, profitability margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the revenue profile, lengthening of working capital cycle or debt funded capital expansion.

Rating Sensitivity Factors

- Efficient working capital cycle
- Sustainable growth in revenue and profitability profile

Criteria applied for arriving at the ratings:

- Trading entities

About the Company

The Maharashtra based SIAPL was incorporated in 2001 by Mr Dutta and family to undertake wholesale trading of liquor in Mumbai. The day-to-day operations are managed by Mr. Ashok Nityanand Dutta, Director.

For FY2014–15, the company reported profit after tax (PAT) of Rs.0.40 crore on operating income of Rs.76.66 crore, as compared with PAT of Rs.0.38 crore on operating income of Rs.55.19 crore in FY2013–14. As per 12 months provisional financials for FY2015-16, the company reported PAT of Rs.0.67 crore on operating income of Rs.104.55 crore. The net worth stood at Rs.6.81 crore (provisional) as on March 31, 2016 as against Rs.5.50 crore a year earlier.

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ABOUT SMERA

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