

Press Release

Radha Marketing

16 October, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 36.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as SMERA BB plus) on the Rs. 36.00 crore bank facilities of Radha Marketing (RM). The outlook is '**Stable**'.

Radha Marketing (RM), established in 1997 is a wholesale distributor of Indian Made Foreign liquor (IMFL) for M/s SABMiller India Ltd., (taken over by AB InBev), Skol Breweries Ltd., Radico Khetan Ltd., and Bacardi India Ltd. for beer and spirits. The firm, based out of Ulhasnagar, Thane district is led by partners, Mr. Pratik Kishnani and Mrs. Nikita Kishnani. The firm is the sole distributor of Bacardi Breezer, Bacardi Rum, Bacardi Gold Rum for central and western Mumbai. It also is a distributor of other brands of liquor in Mumbai.

Key Rating Drivers

Strengths

- **Experienced management, established track record of operations**

The partners, Mr. Pratik and Mrs. Nikita possess experience of over a decade in the liquor industry. The firm is a wholesale distributor for leading IMFL manufacturers in Mumbai and has established track record of over two decades.

- **Moderate financial risk profile**

RM has moderate financial risk profile marked by tangible net worth of Rs.13.89 crore as on 31 March, 2017 (Provisional) as against Rs.12.13 crore in the previous year. The net worth includes unsecured loan of Rs.4.83 crore as on 31 March, 2017 (Provisional) considered as quasi equity as the same is subordinated to bank debt. The adjusted gearing (total debt to adjusted net worth) stood at 1.40 times as on 31 March, 2017 (Provisional) as against 1.91 times as on 31 March, 2016. The debt of Rs. 19.51 crore consists of working capital limits as on 31 March 2017. The Interest Coverage ratio (ICR) stood at 1.82 times for FY2017 (Provisional) as against 1.59 times in FY2016. The Total outside Liabilities/Tangible net worth (TOL to TNW) stood at 2.18 times as on 31 March, 2017 (Provisional) as against 3.22 times as on 31 March, 2016. The Net cash accruals/total debt (NCA to TD) stood at 0.10 times as on 31 March, 2017 (Provisional) as against 0.08 times in the previous year. SMERA expects the financial risk profile to improve in the medium term on account of steady profitability and absence of major debt funded working capital in the near to medium term.

Weaknesses

- **Uneven revenue and profitability trend**

RM reported operating income of Rs.144.49 crore in FY2017 (Provisional) as against Rs. 154.57 crore in FY2016 and Rs. 148.93 crore in FY2015. For the period April 2017 to August 2017, the firm booked revenue of Rs. 63.00 crore. The operating margins (EBITDA) stood at 2.93 per cent in FY2017 compared to 3.03 percent in FY2016 and 3.01 percent in FY2015.

The net profit margins stood low at 1.25 per cent in FY2017 (Provisional) compared to 1.08 percent in FY2016. The low profit margins are on account of limited pricing flexibility with prices being

dictated by the IMFL manufacturers.

SMERA expects the revenue to improve in the near to medium term on the back of addition of new brands like Fratelli Wine India Pvt. Ltd, William Grams Pvt. Ltd., Bruck Mamm Pvt. Ltd.

• Highly regulated business

The alcohol industry in India is highly regulated. Movement of liquor between various states in India is subject to multiple tax laws making sales between states difficult.

• Risk of capital withdrawal

The firm is exposed to the risk of capital withdrawal considering its partnership constitution. However, there were no significant withdrawals observed during the period under study.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of Radha Marketing to arrive at the rating.

Outlook: Stable

SMERA believes that RM will maintain a stable outlook over the medium term owing to its promoters' extensive experience in the liquor industry. The outlook may be revised to 'Positive' in case of sustained growth in revenue and profitability while maintaining its financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability and profitability or if the financial risk profile deteriorates owing to higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

The firm reported profit after tax (PAT) of Rs. 1.81 crore on net sales of Rs. 144.49 crore in FY2017 (Provisional) as against PAT of Rs. 1.67 crore on net sales of Rs. 154.57 crore in FY2016. The net worth stood at Rs. 13.89 crore as on 31 March, 2017 (Provisional) compared to Rs. 12.13 crore as on 31 March, 2016.

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

Not applicable

Any other information

Not available

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	36.00	SMERA BB+ / Stable

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ABOUT SMERA

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