

Press Release

Radha Marketing

January 18, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.44.00 Cr. (Enhanced From Rs.36.00 Cr.)
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs.44.00 crore bank facilities of RADHA MARKETING (RM). The outlook is '**Stable**'.

RM was incorporated in 1997 as a proprietorship concern by Mrs. Kamla Kishnani. Later on, the constitution was converted to partnership between Mr. Pratik Kishnani and Ms. Nikita Kishnani in 2013. The firm is an authorised distributor for SAB Miller India Limited, Bakardi Martin and Radico Khaitan, among others. The distribution region is central and western Mumbai.

Analytical Approach

Acuite has taken a standalone view of the financial and business risk profile of RM to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operation and experienced management**

RM is operating since 1997. The partners possess experience of over two decades in the industry. This helped the firm to establish its position in the domestic market and has enabled the firm to leverage its relations with suppliers and customers.

Acuite believes that the firm will continue to benefit from the partners' established presence in improving its business risk profile over the medium term.

- **Growth in revenues**

The firm has registered revenues of Rs.165.18 crore in FY2018; a growth of ~14 percent from Rs.144.49 crore in FY2017. The growth is mainly supported by increased demand. Further, RM has entered into five year agreement with Tonino Lamborghini for distributing Vodka and Energy Drink in specified area of Mumbai. This provides revenue visibility in the medium term.

- **Moderate financial risk profile**

RM has moderate financial risk profile marked by tangible net worth of Rs.16.93 crore as on 31 March, 2018 as against Rs.13.89 crore as on 31 March, 2017. This includes unsecured loan of Rs.5.41 crore as on 31 March, 2018 which is considered as quasi equity. The adjusted gearing improved to 1.24 times as on 31 March, 2018 as against 1.40 times as on 31 March, 2017. The total debt as on 31 March, 2018 mainly consists of working capital borrowings of Rs.20.93 crore. The debt protection metrics have also improved in FY2018. Interest Coverage Ratio (ICR) stood at 2.15 times in FY2018 as against 1.82 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood constant for FY2018 as well as FY2017 at 2.39 times.

Acuite expects the firm to maintain its financial risk profile in near to medium term in the absence of any significant debt-funded capex plan.

Weaknesses

• Low profitability margins

RM's profit margins stood at 1.52 percent in FY2018 as compared to 1.25 percent in FY2017. The low profit margins are usually on account of limited pricing flexibility with prices being dictated by IMFL manufacturers.

• High regulatory risks

Indian liquor industry is heavily regulated by the governments, with regulations ranging from licensing, production, distribution, inter-state exports, raw material availability and advertisements. There have been continuous regulatory changes in terms of state government's policies towards liquor consumption. Any government regulation can have significant impact on their operating income and profitability.

• Risk of capital withdrawal

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

Outlook: Stable

Acuite believes that the outlook on RM will remain 'Stable' over the medium term on account of its long track record of operations as well as experience of promoters in beer & alcohol industry and the consistent growth in profitability margins. The outlook may be revised to 'Positive' if the firm registers significant and sustainable growth in revenue and profitability while maintaining working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the firm registers significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	165.18	144.49	154.57
EBITDA	Rs. Cr.	4.80	4.24	4.68
PAT	Rs. Cr.	2.50	1.81	1.67
EBITDA Margin	(%)	2.91	2.93	3.03
PAT Margin	(%)	1.52	1.25	1.08
ROCE	(%)	13.29	12.06	12.96
Total Debt/Tangible Net Worth	Times	1.24	1.40	1.91
PBDIT/Interest	Times	2.15	1.82	1.59
Total Debt/PBDIT	Times	4.36	4.61	4.96
Gross Current Assets (Days)	Days	126	117	120

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Jan-2019	Cash Credit	Long Term	36.00	ACUITE BBB- / Stable (Upgraded)
16-Oct-2017	Cash Credit	Long Term	36.00	ACUITE BB+ / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	44.00 (Enhanced from Rs.36.00 Cr.)	ACUITE BBB- / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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