

Press Release
Radha Marketing
April 24, 2024



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.70	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	90.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	1.01	-	ACUITE A2 Assigned
Total Outstanding Quantum (Rs. Cr)	105.71	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs.90.00 Cr. bank facilities of Radha Marketing (RM). The outlook is '**Stable**'. - Acuite has also assigned the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short-term rating of '**ACUITE A2**' (read as **ACUITE A Two**) to the enhanced facilities of Rs.15.71 Cr. Radha Marketing (RM). The outlook is '**Stable**'.

Rationale for Rating Recommendation

The rating reaffirmation considers Radha Marketing's stable operating and financial performance. The company's operating income grew significantly to Rs. 472.16 Cr in FY2023 as against Rs. 283.08 Cr in FY2022. The operating margins stood at 4.72 percent in FY2023 as against 3.90 percent in FY2022. The increase in operating margin is due to improved distribution networks. In 9MFY2024, the company has reported revenue of Rs.421.25 Cr. Further, the gearing levels stood at 1.95 times as on March 31, 2023 as against 1.89 times as on March 31, 2022. Going ahead, the company's ability to improve its scale of operations while improving its operating profitability over the medium term will continue to remain a key rating sensitivity factor

About the Company

Mumbai-based, RM was established as a proprietorship firm in 1997 by Mrs. Kamla Kishnani. Subsequently, it was converted into a partnership between Mr. Pratik Kishnani and Ms. Nikita Kishnani in 2013. The firm is an authorized distributor for AB-InBev, Radico Khaitan Ltd., Bacardi India Pvt. Ltd, among others for their various brands of beer and spirit products. The distribution region is central and western Mumbai

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations and experienced management

Operational since 1997, Radha Marketing has established a long track record of operations in the said line of business. The partners, Mr. Pratik Kishnani and Ms. Nikita Kishnani possess experience of over two decades in the beer & alcohol industry which has helped the firm to build healthy relationships with its customers and suppliers. The firm during the year has added new products to its existing line of product profile and also increased its distribution area in Mumbai.

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

Improvement in the operating performance

The revenue of the firm improved and stood at Rs.472.16 crore in FY23 compared to revenue of Rs.283.08 crore in FY22. The revenue of the firm improved in FY23 due to the improved distribution network and the firm catering to additional areas of western Mumbai suburbs like Bandra, Santacruz, etc. The increase in the turnover is also due to the addition of distribution of the new products such as Royal Ranthambore and Rampur, which was introduced by Radico Khaitan Ltd. The operating profit margin of the firm increased and stood at 4.72 percent in FY23 compared against 3.90 percent in FY22. The PAT margin of the firm stood at 3.32 percent in FY23 compared to 2.80 percent in FY22. In 9MFY2024, the company has reported revenue of Rs.421.25 Cr.

Acuité believes that the company will continue to improve its distribution network and maintain its business risk profile over the medium term.

Moderate Financial Risk Profile

Radha Marketing has a moderate financial risk profile marked by moderate net worth, gearing and debt protection metrics. RM's net worth stood at Rs. 41.33 crore as on March 31, 2023 against Rs. 28.38 crore as on 31st March 2022. The company's gearing stood at 1.95 times as on March 31, 2023 as against 1.89 times as on March 31, 2022. The company's total debt as on March 31, 2023 stood at Rs. 80.48 crore as compared to Rs. 53.69 crores as on March 31, 2022; comprising of long-term debt of Rs.8.12 crore, short-term debt of Rs. 72.36 crore. TOL/TNW stood at 2.72 times as on March 31, 2023. The interest coverage ratio of the company stood at 3.11 times in FY23 against 3.55 times in FY22. DSCR stood at 2.30 times in FY2023 against 2.60 times in FY2022.

Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans.

Weaknesses

Moderate working capital operations

Radha Marketing has moderate working capital operations with average gross current asset (GCA) days range between 111 - 215 days during FY21 to FY23. GCA days stood at 111 days in FY2023 against 143 days in FY2022. The decrease in GCA days is primarily led by decreased debtor days. The debtor days stood at 46 days for FY23 against 67 days for FY22. The average credit period allowed to the customers is around 60 days. Inventory days stood at 54 days in FY2023 against 58 days in FY2022. The average inventory holding period of the firm is 40-45 days. The firm stocks up the inventory in advance according to the requirement for the distribution. The inventory consists of different varieties and brands of the products. The creditor days of the firm stood at 26 days for FY23 as against 38 days for FY22. The firm mostly purchases on advance payment basis. However, at March end some credit period is received from the creditors.

Acuité believes that the working capital operations of the group will remain at similar levels over the medium term given the nature of the industry.

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 and many regulations making sales between states difficult.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle

Liquidity Position

Adequate

Liquidity is adequately backed by RM's net cash accruals, which stood at Rs. 15.81 Cr. as on March 31, 2023, against maturing debt repayment obligation of Rs. 2.67 Cr. The firm is estimated to generate net cash accruals in the range of RS. 18-22 Cr. in the period FY2024-FY2025 against repayment of Rs. 2.5-3 Cr. The cash and bank balances of the firm stood at Rs. 2.25 Cr. as on March 31, 2023. The current ratio stood at 1.46 times as on March 31, 2023. The working capital operations of the company are moderate marked by its gross current asset (GCA) days of 111 days for FY2023 as against 143 days for FY2022 on account of lower receivables cycle during the same period. Going forward the firm will maintain adequate liquidity position due to increasing accruals.

Outlook: Stable

Acuité believes that RM will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the firm sustains the growth in its revenues while maintaining its profitability margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	472.16	283.08
PAT	Rs. Cr.	15.69	7.92
PAT Margin	(%)	3.32	2.80
Total Debt/Tangible Net Worth	Times	1.95	1.89
PBDIT/Interest	Times	3.11	3.55

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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
25 Jan 2023	Cash Credit	Long Term	64.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	26.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
09 Dec 2022	Cash Credit	Long Term	64.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	26.00	ACUITE BBB Stable (Assigned)
03 Nov 2021	Proposed Long Term Bank Facility	Long Term	5.00	ACUITE BBB (Withdrawn)
	Proposed Long Term Bank Facility	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	44.00	ACUITE BBB Stable (Reaffirmed)
05 Apr 2021	Cash Credit	Long Term	44.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	5.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	90.00	ACUITE BBB+ Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB+ Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2024	Simple	1.11	ACUITE BBB+ Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2026	Simple	3.59	ACUITE BBB+ Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.01	ACUITE A2 Assigned

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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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