

Press Release

Radha Wines

16 October, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 65.00 Cr.
Long Term Rating	SMERA BBB-/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) on the Rs. 65.00 crore bank facilities of Radha Wines (RW). The outlook is '**Stable**'.

Radha Wines (RW) was established as a proprietorship concern in 1992 and converted to a partnership firm in 2012. The firm, led by Partners, Ms. Pooja V. Kishnani and Mr. Vinod Kishnani is engaged in the distribution of beer and spirits to retail outlets, wine shops and bars & restaurants. The firm is a wholesaler for leading IMFL manufacturers in Thane and Raigad.

Key Rating Drivers

Strengths

- **Experienced management**

The partners, Mr. Vinod Kishnani and Ms. Pooja V. Kishnani have experience of over two decades in the trading of liquor.

- **Moderate scale of operations with expected growth in revenues**

The scale of operations is moderate marked by operating income of Rs. 324.47 crore in FY2017 (Provisional) as against Rs. 316.45 crore in FY2016 and Rs. 288.89 crore in FY2015. For the period April 2017 to August 2017, the firm booked revenue of Rs. 129.00 crore. The growth in revenue is on account of increase in the demand for liquor.

- **Moderate financial risk profile**

RW has moderate financial risk profile marked by tangible net worth of Rs. 27.79 crore as on 31 March, 2017 (Provisional) compared to Rs. 22.64 crore as on 31 March, 2016. The net worth includes unsecured loans of Rs. 3.83 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 1.90 times as on 31 March, 2017 (Provisional) as against 1.79 times as on 31 March, 2016. The debt of Rs. 52.81 crore, mainly consists of working capital limits as on 31 March, 2017. The Interest Coverage ratio (ICR) stood at 2.23 times in FY2017 (Provisional) compared to 2.32 times in FY2016. The Total outside Liabilities/Tangible net worth (TOL to TNW) stood at 2.33 times as on 31 March, 2017 (Provisional) as against 3.35 times in the previous year. The Net cash accruals/total debt (NCA to TD) stood at 0.12 times as on 31 March, 2017 (Provisional) as against 0.15 times in the previous year. SMERA expects the financial risk profile to improve in the medium term on account of steady profitability in the absence of major debt funded working capital.

- **Moderate working capital cycle**

RW has moderate working capital cycle marked by high gross current assets (GCA) of 88 days in FY2017 (Provisional) compared to 78 days in FY2016. The debtor days stood at 37 days in FY2017 (Provisional) as against 46 days in FY2016. The average cash credit utilisation has been around 76 per cent during March to August 2017. SMERA believes that the efficient working capital

management will be crucial to the firm in order to maintain a stable credit profile.

Weaknesses

- **Low profitability**

The profit margins stood at a low of 1.95 per cent in FY2017 (Provisional) compared to 1.84 percent in FY2016 on account of limited pricing flexibility. The prices are dictated by IMFL manufacturers.

- **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.

- **Risk of capital withdrawal**

RW is exposed to 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 Wines to arrive at the rating.

Outlook: Stable

SMERA believes that RW will maintain a stable outlook over the medium term owing to the extensive experience of its promoters in the liquor industry. The outlook may be revised to 'Positive' in case of sustained growth in revenues and profitability while maintaining 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. 6.32 crore on net sales of Rs. 324.47 crore in FY2017 (Provisional) as against PAT of Rs. 5.82 crore on net sales of Rs. 316.45 crore in FY2016. The net worth stood at Rs. 27.79 crore as on 31 March, 2017 (Provisional) compared to Rs. 22.64 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.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.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	65.00	SMERA BBB- / Stable

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ABOUT SMERA

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