

Press Release

Radha Wines

January 07, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 65.00 crore bank facilities of Radha Wines. The outlook is '**Stable**'.

Radha Wines (RW) was established as a proprietorship firm in 1992. RW is into trading business of Indian Made Foreign Liquor. Subsequently, the constitution was converted to partnership between Mr. Vinod Kishnani and Mrs. Pooja V. Kishanani in 2012. The firm is sole distributor for reputed IMFL players such as United Breweries Limited, Bacardi Martini and Radico Khaitan, among others. RW is a whole-seller of Beer and Spirit products to various retail outlets, wine shops and bars & restaurants in the region of Thane & Raigad (Maharashtra).

Analytical Approach

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

Key Rating Drivers

Strengths

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

RW is operating since 1992. 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 established healthy relations with suppliers and customers.

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

- **Moderate financial risk profile**

The firm has moderate financial risk profile marked by tangible net worth of Rs.27.61 crore as on 31 March, 2018 as against Rs.25.84 crore as on 31 March, 2017. This includes unsecured loan of Rs.5.46 crore as on 31 March, 2018 which is considered as quasi equity. The adjusted gearing stood at 2.09 times as on 31 March, 2018 as against 1.89 times as on 31 March, 2017. The debt of Rs.57.62 crore mainly consists of working capital borrowings of Rs.57.45 crore and vehicle loan of Rs.0.17 crore. Interest Coverage Ratio (ICR) stood at 2.19 times in FY2018 as against 2.25 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.22 times as on 31 March, 2018 as against 3.10 times as on 31 March, 2017.

Acuité expects the firm to maintain its financial risk profile on similar levels over the medium term as the firm is not planning any significant debt-funded capital expenditure.

- **Moderate working capital cycle**

RW's working capital cycle is moderate marked by Gross Current Assets (GCA) of 120 days in FY2018 as against 118 days in FY2017. The GCA days are mainly on account of stock holding period and credit period extended to customers. Both stood at 50 days in FY2018.

Weaknesses

- **Highly regulated business**

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**

RW 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 RW will remain 'Stable' over the medium term on account of its long track of operations as well as experienced promoters in beer & alcohol industry. The outlook may be revised to 'Positive' if the firm registers significant and sustainable growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. 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. | 349.29 | 323.71 | 316.45 |
| EBITDA | Rs. Cr. | 12.24 | 11.54 | 10.30 |
| PAT | Rs. Cr. | 6.65 | 6.44 | 5.82 |
| EBITDA Margin | (%) | 3.50 | 3.56 | 3.26 |
| PAT Margin | (%) | 1.90 | 1.99 | 1.84 |
| ROCE | (%) | 15.39 | 16.96 | 17.71 |
| Total Debt/Tangible Net Worth | Times | 2.09 | 1.89 | 1.79 |
| PBDIT/Interest | Times | 2.19 | 2.25 | 2.32 |
| Total Debt/PBDIT | Times | 4.64 | 4.14 | 3.88 |
| Gross Current Assets (Days) | Days | 120 | 118 | 112 |

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 |
|-------------|---------------------------------|-----------|------------------|---------------------------------|
| 16-Oct-2017 | Cash Credit | Long Term | INR 65 | ACUITE BBB- / 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 | 65.00 | ACUITE BBB- / Stable (Reaffirmed) |

Contacts

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About Acuité Ratings & Research:

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