



Press Release
Radha Wines
October 19, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.75	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	90.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	130.75	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) on the Rs.90.00 Cr bank facilities of Radha Wines (RW). The outlook is '**Stable**'.

Further, Acuité has assigned its long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) on the Rs.40.75 Cr bank facilities of Radha Wines (RW). The outlook is '**Stable**'.

Reason for the rating

The rating factors in the improvement in operating income, moderate financial risk profile and adequate liquidity position of the firm in FY2023(Prov). The Firm's revenue improved and stood at Rs.685.45 crore in FY23(Prov) compared to revenue of Rs.467.78 crore in FY22. The Firm has achieved a turnover of ~Rs.300.00 Cr in 5MFY2024. The growth in operating income is driven by the addition of new products to the existing product profile of the firm. The ratings are constrained by the working capital-intensive operations of the firm resulting in the high bank limit utilisation. Along with this the withdrawal of the funds by the partners impart a negative bias to the rating.

About the Company

Mumbai-based, RW was established as a proprietorship firm in 1992. Subsequently, the constitution was converted to partnership between Mr. Vinod Kishnani and Mrs. Pooja V. Kishanani in 2012. The firm is into trading business of Indian Made Foreign Liquor (IMFL). The firm is sole distributor in the region of Palghar, Thane & Raigad for reputed IMFL players such as United Breweries Limited, Bacardi Martini and Radico Khaitan, among others.

Standalone (Unsupported) Rating

None

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations and experienced management

RW is operating since 1992 and the partners of the firm are Mr. Vinod Kishnani and Mrs. Pooja V. Kishnani, who possess an experience of over three decades in the beer & alcohol industry. The long track record of operations and the experienced management has helped RW build healthy relationship with its customers and suppliers. 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.685.45 crore in FY23(Prov) compared to revenue of Rs.467.78 crore in FY22. The growth in operating income is driven by the addition of new products to the existing product profile of the firm. In 5MFY24, the firm has achieved a revenue of ~Rs.300.00 crore. The operating profit margin of the firm stood at 3.62 percent in FY23(Prov) compared against 3.46 percent in FY22. The improvement in the operating profit margin is due to increase in the revenues. The PAT margin of the firm stood at 2.25 percent in FY23(Prov) compared to 2.00 percent in FY22. Acuité believes that the business risk profile of the firm will continue to improve in medium term on account of increase in the product profile.

Moderate financial risk profile

Radha Wines has a moderate financial risk profile marked by tangible net worth of Rs.38.79 crore as on 31 March 2023(Prov) as against Rs.38.76 crore as on 31 March 2022. The networth includes the quasi equity of Rs.3.53 crore. The firm has made capital withdrawals in FY22 as well as FY23. The gearing level of the firm stood at 3.11 times as on 31 March 2023(Prov) as against 2.42 times as on 31 March 2022. The total debt of the firm comprised of long-term debt of Rs.10.87 crore and short-term debt of Rs.104.78 crore as on 31 March 2023. The firm has got additional CC facility sanctioned for working capital purposes. The coverage ratios of the firm stood moderate with an Interest Coverage Ratio (ICR) of 2.70 times for FY23(Prov) against 2.42 times for FY22. The Debt Service Coverage Ratio (DSCR) stood at 1.89 times for FY23(Prov) against 1.33 times for FY22. The total outside liabilities to tangible net worth (TOL/TNW) of the firm stood at 3.54 times for FY23(Prov) as against 2.98 times for FY22. Acuité believes that the financial risk profile of the firm is likely to remain moderate in medium term.

Weaknesses

Working capital intensive operations

The firm's operations are working capital intensive as evident from Gross Current Asset (GCA) of 93 days as on March 31, 2023(Prov), as against 117 days as on March 31, 2022. The inventory levels have improved and stood at 31 days for FY23(Prov) compared against 38 days for FY22. Average inventory holding period of the firm is around 30-40 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 debtor days stood at 52 days for FY23(Prov) against 69 days for FY22. Average credit period allowed to the customers is around 65-75 days. The creditor days of the firm stood at 9 days for FY23(Prov) as against 17 days for FY22. The firm mostly purchases on advance payment basis. However, at March end some credit period is received from the creditors. The average utilization of the bank limits of the firm remains high at ~90 percent in last six months ended August '23. Acuité believes that the firm's ability to maintain its working capital efficiently will remain critical to maintain a stable credit profile.

Highly regulated business

Indian liquor industry is heavily regulated by the government, 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 was established as a proprietorship firm in 1992 and converted to partnership firm in 2012. Further, the firm has witnessed withdrawal from partner's capital in FY2022 as well as FY2023. Any substantial withdrawal of capital by the partners is likely to have an adverse impact on the capital structure.

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 leading to deterioration in debt protection metrics.

All Covenants

Not Applicable

Liquidity position: Adequate

The firm has an adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.15.70 crore in FY23(Prov) compared against maturing debt obligations of Rs.3.94 crore over the same period. The cash accruals of the firm are estimated to remain in the range of Rs.19.28-23.34 crore during 2024-25 period while its maturing debt obligations is estimated to be in the range of Rs.3.94-5.06 crore during the same period. The firm's reliance on working capital borrowings is on a higher side marked by average utilization of working capital limits of ~90 percent during the last six months period ended August '23. The firm maintains unencumbered cash and bank balances of Rs.2.68 crore as on March 31, 2023(Prov). The current ratio stood at 1.37 times as on March 31, 2023 (Prov). Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuité believes that RW 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 demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its profitability margins and improving debt protection metrics. 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 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	685.45	467.78
PAT	Rs. Cr.	15.44	9.34
PAT Margin	(%)	2.25	2.00
Total Debt/Tangible Net Worth	Times	3.11	2.42
PBDIT/Interest	Times	2.70	2.42

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
04 Jan 2023	Cash Credit	Long Term	90.00	ACUITE BBB Stable (Reaffirmed)
03 Nov 2021	Cash Credit	Long Term	70.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
07 Apr 2021	Cash Credit	Long Term	70.00	ACUITE BBB Stable (Reaffirmed)
12 Jun 2020	Cash Credit	Long Term	70.00	ACUITE BBB Stable (Reaffirmed)
17 Feb 2020	Cash Credit	Long Term	70.00	ACUITE BBB Stable (Reaffirmed)
31 Jan 2020	Cash Credit	Long Term	65.00	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 Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	90.00	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB Stable Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.75	ACUITE BBB Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Tanvi Kadam Analyst-Rating Operations Tel: 022-49294065 tanvi.kadam@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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