



Press Release
RADHA WINES
January 16, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	130.75	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	130.75	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple Bo**)n the Rs.130.75 Cr. bank facilities of Radha Wines (RW). The outlook is ‘**Stable**’.

Rationale for rating reaffirmation

The rating reaffirmation takes into consideration an improvement in the operating performance of RW. The rating also draws comfort from experienced management and established operational track record of the firm. However, the rating is constrained on account of moderate financial risk profile, working capital intensive operations, risk of capital withdrawal inherent in the partnership firm and high regulatory risk in the industry.

About the Company

Mumbai-based, RW was established as a proprietorship firm in 1992, subsequently, the firm was converted to partnership firm in 2012 with Mr. Vinod Kishnani and Mrs. Pooja V. Kishanani as partners. The firm is into trading of Indian Made Foreign Liquor (IMFL). The firm is a 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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 Mr. Vinod Kishnani and Mrs. Pooja V. Kishnani, possess an experience of over three decades in the alcoholic beverage industry. The long track record of operations and the experienced management has helped RW build healthy relationship with its customers and suppliers. Acuite 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. 716.90 crore in FY24 compared to revenue of Rs.685.45 crore

in FY23. Further the revenue booked till December 2024 stood at ~Rs. 610.00 Cr. The growth in operating income is driven by the addition of new products to the existing product profile of the firm. The operating profit margin of the firm stood at 4.52 percent in FY24 compared against 3.59 percent in FY23. The PAT margin of the firm stood at 2.94 percent in FY24 compared to 2.25 percent in FY23. The improvement in operating profitability is supported by increased contributions from sale of premium alcohol.

Acuité believes that the operating performance of the firm will continue to improve in medium term on account of continued demand and increase in the product profile.

Weaknesses

Moderate financial risk profile

Radha Wines (RW) has a moderate financial risk profile marked by tangible net worth of Rs.55.80 Cr. as on 31 March 2024 as against Rs. 40.18 Cr. as on 31 March 2023. The net worth includes subordinated quasi equity of Rs.3.30 Cr. The improvement in net worth is attributed to retention of profits to some extent. The gearing level of the firm stood high at 2.41 times as on 31 March 2024 as against 3.00 times as on 31 March 2023. The coverage ratios of the firm stood moderate with an Interest Coverage Ratio (ICR) of 2.80 times for FY24 against 2.72 times for FY23. The total outside liabilities to tangible net worth (TOL/TNW) of the firm stood at 2.92 times for FY24 as against 3.43 times for FY23.

Acuité believes that the financial risk profile of the firm is likely to remain moderate in medium term backed by moderate net worth base and high gearing.

Inherent Risk of Capital Withdrawal in a Partnership Firm

Being a partnership firm, RW is susceptible to the risk of capital withdrawal which was evident by withdrawal of the capital to the extent of Rs. 5.48 Cr. and Rs. 14.02 Cr. during FY24 and FY23 respectively. The firm has submitted undertaking that the minimum capital of Rs. 52.50 Cr. will be maintained in the business over the medium term.

Acuité believes, any substantial withdrawal of capital by the partners is likely to have an adverse impact on the financial risk profile of the firm and thus would remain a key rating monitorable.

Working capital intensive operations

The firm's operations are working capital intensive as evident from Gross Current Asset (GCA) of 105 days as on March 31, 2024, as against 92 days as on March 31, 2023. The inventory levels have improved and stood at 34 days for FY24 compared against 31 days for FY23. Average inventory holding period of the firm is around 30-40 days. The debtor days stood at 50 days for FY24 against 52 days for FY23. The creditor days of the firm stood at 15 days for FY24 as against 9 days for FY23. The average utilization of the bank limits of the firm remains high at ~98 percent in last six months ended Dec'24.

Highly regulated business

Indian Alcoholic beverage 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.

Rating Sensitivities

- Consistent growth in revenues with sustainability of the profitability margins.
- Any deterioration of its financial risk profile leading to deterioration in debt protection metrics.
- Any elongation of the working capital cycle leading to adverse liquidity position .

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. 21.33 Cr. in FY24 as against maturing debt obligations of Rs. 3.38 Cr. over the same period. The cash accruals of the firm are estimated to remain in the range of Rs.25-30 Cr. during 2025-26 period while its maturing debt obligations is estimated to be in the range of Rs. 5.60 – 6.00 Cr. during the same period. The firm maintains cash and bank balances of Rs. 2.51 Cr. as on March 31, 2024. The current ratio stood at 1.33 times as on March 31, 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	716.90	685.45
PAT	Rs. Cr.	21.10	15.44
PAT Margin	(%)	2.94	2.25
Total Debt/Tangible Net Worth	Times	2.41	3.00
PBDIT/Interest	Times	2.80	2.72

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
19 Oct 2023	Cash Credit	Long Term	90.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	15.75	ACUITE BBB Stable (Assigned)
04 Jan 2023	Cash Credit	Long Term	90.00	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	115.00	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.64	Simple	ACUITE BBB Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Nov 2026	9.11	Simple	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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