

Press Release
Pinkku Traders
February 26, 2024
Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BB+ Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	40.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to '**ACUITE BB+**' (read as **Acuite double B plus**)' on the Rs.40.00 crore bank facilities of Pinkku Traders. The outlook is '**Stable**'.

Rationale for rating downgrade

The rating downgrade is on account of moderation recorded in PB Group's operating and financial performance over the last two years. The group has recorded a declining trend in both revenue and operating profitability over the period FY2021-23. The revenue declined to Rs.435.37 Cr in FY2023 from Rs.491.14 Cr in FY2022 and Rs. 556.21 Cr in FY2021. The decline in revenue is attributed to discontinuation of distributorship of one of the brands and some products in the existing distributorship facing price competition from the rival brand in the target market. The trend of moderation in revenues has continued in the current financial year as well, with the group reporting a revenue of Rs.277 Cr in 9MFY2024 (Rs.366 Cr in 9MFY2023). The operating margins stood at 2.38 percent in FY2023 as against 2.43 percent in FY2022 and 2.59 percent in FY2021.

Further, the financial risk profile moderated mainly due to withdrawal of capital by the partners and decline in absolute profitability, thereby resulting in slightly higher gearing levels, which stood at 2.38 times for FY2023 as against 2.06 times for FY2022, and deterioration in other debt coverage indicators.

The rating is further constrained on account of moderately intensive working capital operations of the group.

However, ratings also factor in the extensive experience of the promoters and their established presence in the liquor distribution segment.

Going forward, the ability of the group to improve its financial risk profile, its scale of operations, and profitability margins will remain key rating monitorable.

About Company

Maharashtra based Pinkku Traders was incorporated in 1995 as a partnership firm by Mr. Ramesh Kishnani and Family. It is currently promoted by Mr. Ramesh Kishnani and Mr. Pradeep Kishnani. The firm is primarily engaged in trading Indian Made Foreign Liquor. It has exclusive distributorship for certain brands in Thane-Raigad region of Maharashtra.

About the Group

Maharashtra based Balaji Enterprises was incorporated in 2010 as a partnership firm by Mr. Ramesh Kishnani and Family. The firm is primarily engaged in trading Indian Made Foreign Liquor. It has exclusive distributorship for certain brands in Palghar region of Maharashtra.

Unsupported Rating
Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at the ratings, Acuité has consolidated the business and financial risk profiles of Pinkku Traders and Balaji Enterprises, together referred to as the PB Group. The consolidation is mainly on account of similarity in the line of business and common management.

Key Rating Drivers

Strengths

Extensive experience of the promoters and their established presence in liquor distribution segment

The promoter, Mr. Ramesh Kishnani has an extensive experience in the liquor distribution segment for more than two decades. The other members of the family like Mr. Pradeep Kishnani, Mrs. Sheela Kishnani and Ms. Disha Kishnani are also engaged in the business. The extensive experience of the promoters and established presence in the industry has helped the company to generate healthy relations with various customers and suppliers in the domestic market. However, the operating income saw a moderation in FY23 to Rs. 435.37 Cr as against Rs. 491.14 Cr in FY22 due to discontinuation of distributorship of a brand and under performance of other brands under their existing distributorship. Further, the management expects an upside in the revenues in the near term.

Acuité believes that the company will continue to benefit from the promoters' experience and established track record of operations in improving its business risk profile over the medium term.

Exclusive distributorship

The group has exclusive distributorship of from Pernod Ricard India Private Limited for whisky brands like Royal Stage, Blenders Pride Reserve, Royal Stage Barrel, Master Blend, Chivas Regal, Absolute Vodka, Royal Salute, 100 Pipers etc , Indospirit Beverages Pvt Ltd for seltzer and Wild Drum Beverages Pvt Ltd for wine. The group distributes Beer and Spirit products to various restaurants & bars, retail shops, hotels and wine shops.

Weaknesses

Below Average Financial Risk Profile

PB Group has below average financial risk profile marked by moderate networth, moderately high gearing levels and below average debt protection metrics. The networth declined to Rs.32.65 Cr. as on March 31, 2023 as against Rs. 39.33 Cr. as on March 31, 2022. There is a withdrawal approx.. Rs.6 Cr in Pinkku Traders and Rs.0.68 Cr in Balaji Enterprises.

The group's total debt stood at Rs.77.71 Cr. as on March 31, 2023 as against Rs.80.83 Cr. as on March 31, 2022. The total debt of Rs.77.71 Cr. as on March 31, 2023 includes long term debt of Rs. 0.37 Cr, working capital borrowings of Rs.60.43 Cr. and USL of Rs. 16.92 Cr. The USL is taken from family members at @ 12 percent interest per annum and there is no fixed repayment schedule for its repayment. The gearing levels stood at 2.38 times as on March 31, 2023 as against 2.06 times as on March 31, 2022 mainly due to withdrawal of capital.

The TOL/TNW increased to 2.40 times as on March 31, 2023 as against 2.24 times as on March 31, 2022 majorly due to decline in net worth. The ICR saw a slight moderation to 1.42 times in FY2023 as against 1.72 times in FY2022. The NCA/TD saw a slight moderation and stood at 0.04 times in FY23 as against 0.06 times in FY22.

Acuité believes ability of the group to improve its financial risk profile over the medium term will remain a key rating monitorable.

Moderately intensive nature of working capital operations

The group's operations are moderately working capital intensive in nature. The GCA days stood at 91 days as on March 31, 2023 as against 93 days as on March 31, 2022. The GCA days are led by debtor days which stood at 55 days as on March 31, 2023 as against 65 days

as on March 31, 2022. A credit period of up to 45-60 days is given to the customers of the group. The inventory days stood at 21 days as on March 31, 2023 as against 17 days as on March 31, 2022.

The creditor days declined to nil as on March 31, 2023 as against 5 days as on March 31, 2022. The total sanctioned limits of working capital borrowings are Rs. 65 Cr. from PNB. The consolidated utilisation of working capital borrowings is high at 93 percent for the last 12 months ending December 2023.

Acuité expects the working capital operations of the group to remain moderately intensive over the medium term

Risk of capital withdrawal

PB Group is exposed to the risk of capital withdrawal considering its partnership constitution. In FY2023, there was a minor withdrawal of capital having limited bearing on the financial risk profile, however any significant withdrawal from the partner's capital is expected to have a negative bearing on the financial risk profile of the group.

Rating Sensitivities

- Ability of the Company to improve its scale of operations and profitability margins.
- Elongation of working capital cycle
- Deterioration in liquidity position
- Significant deterioration in the financial risk profile

Liquidity Position Adequate

The firm generated NCA of Rs.3.14 Cr. in FY23 and Rs.5.24 Cr in FY22 against no major debt repayment obligations. Going forward, the net cash accruals are expected to remain in the range of Rs. 2.03-3.13 Cr. in FY24-25 as against no major debt repayment obligation during the same period. The total sanctioned limits of working capital borrowings is Rs. 65 Cr. from PNB. The consolidated utilisation of working capital borrowings is high at 93 percent for the last 12 months ending December 2023. Besides, the group also has unencumbered cash and bank balance which stood at Rs. 1.05 Cr. as on March 31, 2023 as against Rs.1.63 Cr. as on March 31, 2022. The current ratio of the group stood at 1.79 times as on March 31, 2023 as against 1.84 times as on March 31, 2022.

Outlook:Stable

Acuité believes that the group will continue to maintain a 'Stable' outlook over near to medium term owing to its established market position and experienced management and exclusive distributorship in the allocated areas. The outlook may be revised to 'Positive' in case the group achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	435.37	491.14
PAT	Rs. Cr.	2.90	5.02
PAT Margin	(%)	0.67	1.02
Total Debt/Tangible Net Worth	Times	2.38	2.06
PBDIT/Interest	Times	1.42	1.72

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <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 Nov 2022	Cash Credit	Long Term	40.00	ACUITE BBB- Stable (Reaffirmed)
27 Aug 2021	Cash Credit	Long Term	40.00	ACUITE BBB- Stable (Reaffirmed)

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	40.00	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Balaji Enterprises (Ulhasnagar)

Contacts

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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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