

Press Release

Seth Girijacharan Harnarayan Jaiswal

May 28, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 10.00 crore bank facilities of Seth Girijacharan Harnarayan Jaiswal. The outlook is '**Stable**'.

M/s SGHJ is established as a partnership firm by Mr. Rahul Jaiswal in FY2016. The firm is engaged in operating government regulated outlets of country and foreign liquor. This is the family business of Jaiswal family since last four generation.

Key Rating Drivers

Strengths

- Comfortable working capital management**

The working capital operations of the firm are comfortable marked by Gross Current Asset (GCA) of 66 days in FY2017. The working capital cycle of 5 days is also comfortable. SMERA believes that the efficient working capital management is important for the firm in order to maintain a stable credit profile.

- Experienced management**

The firm is promoted by Mr. Rahul Jaiswal having more than two decade of experience in the liquor industry through its other sister concerns which is in the same line of business.

Weaknesses

- Initial stage of operations**

M/s SGHJ was established in February 2016 and started its operations only in FY2017 with 42 outlets located at Harda, Hoshangabad, Chhindwara and Narsinghgarh. Currently, it has 19 outlets located in Harda, Hoshangabad and Narsinghgarh.

- Partnership constitution**

M/s SGHJ being a partnership firm is exposed to the risk associated in terms of capital withdrawal.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm to arrive at the rating.

Outlook: Stable

SMERA believes that the firm's outlook will continue to remain 'stable' over the medium term due to its promoter's experience in the liquor retail business. The outlook may be revised to 'Positive' if the firm achieves higher than expected revenue and improvement in profitability while maintaining its liquidity profile. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve the scalability and profitability or if financial risk profile deteriorates owing to higher-than-expected working capital requirements/debt funded capex.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	34.57	0.00	0.00
EBITDA	Rs. Cr.	1.12	0.00	0.00
PAT	Rs. Cr.	0.89	0.00	0.00
EBITDA Margin	(%)	3.24	0.00	0.00
PAT Margin	(%)	2.57	0.00	0.00
ROCE	(%)	32.07	0.00	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	3.36	0.00	0.00
Total Debt/PBDIT	Times	0.00	0.00	0.00
Gross Current Assets (Days)	Days	66	0	0

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.71	SMERA BB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.79	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.30	SMERA A4
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.20	SMERA A4

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ABOUT SMERA

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