

Press Release

Seth Girijacharan Harnarayan Jaiswal

April 26, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	ACUITE BB- (Withdrawn)
Short Term Rating	ACUITE A4 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the Long-term rating of '**ACUITE BB-**' (read as **ACUITE Double B minus**) and the short-term rating of '**ACUITE A4**' (read as **ACUITE A Four**) on the Rs. 10.00 Crore bank facilities of Seth Girijacharan Harnarayan Jaiswal. The rating is being withdrawn on account of request received from the company and NOC received from the bank.

About the Company:

SGHJ was established in 2016 by Mr. Rahul Jaiswal and family. It is Indore-based firm engaged in operating government regulated outlets of country and foreign liquor. This is the family business of Jaiswal family since last four generation.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SGHJ to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

SGHJ was established in 2016 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. The active participation of partners have helped the firm to establish its position in the domestic market and have been able to established healthy relations with suppliers and customers. The firm presently has 19 shops in three districts namely Harda, Hoshangabad and Narsinghpur.

- **Moderate Financial risk profile and efficient working capital operation**

Firm's financial risk profile remained average marked by moderate net worth, gearing and moderate debt protection metrics. The net worth of the firm stood at Rs.3.45 Crore as on 31 March 2020 as against Rs.1.83 Crore as on 31 March 2019. The gearing level (debt-equity) stood at 1.18 times as on 31 March 2020 as against 2.33 times as on 31 March 2019. The total debt of Rs.4.09 Crore as on 31 March 2020 consists of unsecured loan of Rs.0.51 Crore and working capital borrowings of Rs.3.57 Crore. The interest coverage ratio (ICR) stood at 4.35 times in FY2020 as against 3.01 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood high at 0.26 times in FY2020 as against 0.23 times in FY2019.

The working capital management of the firm is highly efficient in FY2020 marked by Gross Current Assets (GCA) of 23 days in FY2020 as against 17 days in FY2019.. The creditor days stood at 17 days in FY2020 as against 3 days in FY2019. As a result, the bank limits utilization is at 75 percent in the last six months ending March, 2021.

Acuité believes that the working capital requirements will continue to remain efficient over the medium term on account of low inventory.

Weaknesses

- **Highly regulated and competitive industry**

The alcohol industry in India is highly regulated with each state having a unique taxation policy and varying regulations. The distribution channel of the industry is also regulated by the state government. Besides, movement of liquor between states is subject to multiple tax laws.

Outlook:

NA

Material Covenant

None

Rating sensitivity

NA

Liquidity position: Adequate

The Company has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.07 Crore in FY2020 as against no significant CPLTD for the same period. Company's working capital operations are efficient marked by gross current asset (GCA) days of 23 days in FY2020. As a result, the bank limits utilization is at 75 percent in the last six months ending March, 2021. Company maintains unencumbered cash and bank balances of Rs.1.51 Crore as on 31 March 2020. The current ratio stands at 1.62 times as on 31 March 2020.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	76.15	68.99
PAT	Rs. Cr.	0.86	0.83
PAT Margin	(%)	1.13	1.21
Total Debt/Tangible Net Worth	Times	1.18	2.33
PBDIT/Interest	Times	4.35	3.01

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
14-February-2020	Secured Overdraft	Long Term	3.71	ACUITE BB-/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.79	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.60	ACUITE A4 (Reaffirmed)

	Proposed Bank Guarantee	Short Term	3.90	ACUITE A4 (Reaffirmed)
08-August-2019	Secured Overdraft	Long Term	3.71	ACUITE BB- (Indicative)
	Proposed Bank Facility	Long Term	1.79	ACUITE BB- (Indicative)
	Bank Guarantee	Short Term	1.30	ACUITE A4 (Indicative)
	Proposed Bank Guarantee	Short Term	3.20	ACUITE A4 (Indicative)
28-May-2018	Secured Overdraft	Long Term	3.71	ACUITE BB-/Stable (Assigned)
	Proposed Bank Facility	Long Term	1.79	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short Term	1.30	ACUITE A4 (Assigned)
	Proposed Bank Guarantee	Short Term	3.20	ACUITE A4 (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
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	3.71	ACUITE BB- (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.79	ACUITE BB- (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE A4 (Withdrawn)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.90	ACUITE A4 (Withdrawn)

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About Acuité Ratings & Research:

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