

Press Release

Allen Multitading Private Limited

October 16, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned 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 plus) on the Rs.10.00 crore bank facilities of Allen Multitading Private Limited (AMTPL). The outlook is '**Stable**'.

Madhya Pradesh-based AMTPL was incorporated in 2012 by Mr. Ramesh Chand Rai and the Rai family. Currently, the daily operations of the firm are taken care by Ms. Meena Devi Rai and Mr. Narendra Kumar Rai. The firm is engaged in trading of liquor in the region of Madhya Pradesh via 6 vends, 3 of which are for Indian Made Foreign Liquor (IMFL) and rest for the sale of country liquor.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the AMPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

Established in 2012, AMTPL is headed by Rai family viz. Ms. Meena Devi Rai and Mr. Narendra Kumar Rai both of whom are industry veterans having around a decade of experience in the alcohol trading business. The top management of the firm is backed by equally experienced the second line of management.

- **Working capital efficient nature of operations**

The firm's operations are working capital efficient in nature as reflected in Gross Current Assets (GCA) of 75 days in FY2020 (Provisional) as against 79 days in FY2019. GCA days remained low mainly on account of the low debtor collection period, which is 8 days in FY2020 (Provisional). Further, the firm does not maintain any inventory due to the nature of the business. The creditor collection period stood at around 19 days in FY2020 (Provisional) as against 17 days in the previous year. Acuité believes that working capital management will continue to remain efficient over the medium term on account of no levels of inventory maintained by the firm.

Weaknesses

- **Below average financial risk profile**

AMTPL has below-average financial risk profile marked by low net worth, gearing (debt-to-equity), and debt protection metrics. The firm's net worth stood at Rs. 2.45 crore as on March 31, 2020 (Provisional) as against Rs. 2.23 crore as on March 31, 2019. Gearing levels (debt-to-equity) stood at 1.80 times as on 31 March, 2020 (Provisional) as against 2.20 times as on 31 March, 2019. Further, the interest coverage ratio stood at 2.16 times for FY2020 (Provisional) as compared to 1.79 times for FY2019. Total outside liabilities to total net worth (TOL/TNW) stood at 3.19 times in FY2020 (Provisional).

vis-à-vis 3.76 times in FY2019. Acuité believes that the financial risk profile of the firm is expected to remain below average marked by average net cash accruals and in the absence of any major debt-funded capex in near to medium term.

• Exposure to heavy regulatory risk

The Indian alcohol industry is highly regulated at almost every stage in the value chain. Moreover, every state has its set of regulations with respect to distribution and retail channels, registration, taxation, and pricing of alcohol. The industry is expected to remain highly regulated by the government going forward, exposing the business risk profile to adverse regulatory changes. Furthermore, players within the industry are susceptible to high excise duties; any adverse change in excise duties can weaken profitability, and consequently, affect its credit risk profile.

Liquidity Position: Adequate

The firm has adequate liquidity marked by net cash accruals to maturing debt obligations. AMTPL generated cash accruals of Rs. 0.46 crore for FY2020 (Provisional) against maturing debt obligations of Rs. 0.16 crores in the same period. The cash accruals of the firm are estimated to remain in the range of around Rs. 0.19 crore to Rs. 0.35 crore during 2020-22 against no major repayment obligation. The firm's working capital operations are smooth marked by Gross Current Asset (GCA) of 75 days for FY2020 (Provisional). The firm maintains cash and bank balances of Rs. 0.06 crore as on 31 March, 2020 (Provisional). The current ratio stood at 1.32 times as on 31 March, 2020 (Provisional). Acuité believes that the liquidity of the firm is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

Rating Sensitivities

- Significant improvement in scale of operations, while maintaining profitability margins
- Deterioration in working capital cycle leading to the deterioration of financial risk profile and liquidity

Outlook: Stable

Acuité believes that AMTPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or in case of deterioration in the firm's financial risk profile or significant elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	40.84	39.67
PAT	Rs. Cr.	0.25	0.24
PAT Margin	(%)	0.61	0.60
Total Debt/Tangible Net Worth	Times	1.85	2.20
PBDIT/Interest	Times	2.16	1.79

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

Not Applicable

Any other information

Not Applicable

Material Covenants:

None

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 (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	4.00	ACUITE BB-/Outlook: Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4+ (Assigned)
Proposed long term facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB-/Outlook: Stable (Assigned)
Proposed short term facility	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Assigned)

Contacts

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About Acuité Ratings & Research:

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