

Kalpana Shivhare

July 12, 2022

Ratings

Facilities / Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	3.50	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	6.50	CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Facilities	10.00 (Rs. Ten Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Kalpana Shivhare (KSH) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. The rating on KSH now be denoted as **CARE B-; Stable; Issuer Not Co-operating/CARE A4; Issuer Not Co-operating***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

Key Rating weaknesses

Small scale of operations with low profitability

The scale of operations of KSH improved and remained at Rs.7.94 crore in FY22 (Prov.) as compared to Rs.0.54 crore in FY21 (A) on account of demand from customers.

KSH is engaged in retail business of liquor. As the business operations are of trading nature, the profitability margins of the firm are restricted. Further, liquor trading business is highly fragmented due to presence of large number of outlets thereby limiting the profitability margins of the firm marked by PBILD and PAT of Rs.0.66 crore and Rs.0.19 crore in FY22 as against Rs.0.51 crore and net losses in FY21.

Moderate capital structure with weak debt coverage indicators

The capital structure of KSH deteriorated and remained leveraged marked by an overall gearing ratio at 1.62 times as on March 31, 2022, as against 0.90 times as on March 31, 2021. Deterioration was mainly on account of increase total debt level pertaining to infusion of unsecured loans as on balance sheet date.

The debt coverage indicators of KSH remained weak marked by total debt to GCA (TDGCA) of 38.66 years during FY22. Interest coverage ratio remained at 1.50 times during FY22 as against 0.84 times during FY21.

Presence in highly competitive and fragmented trading industry

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High business risk due to regulated nature of liquor industry and constitution as proprietorship concern

The Indian liquor industry is highly regulated. The industry is witnessing high taxes and numerous regulations from government which impact the pricing flexibility of the industry. The State Governments levy various duties like excise duty, sales tax, license fee, state-level import and export duty, bottling fee, welfare levy, assessment fee, franchise fee, turnover tax, surcharge etc. The state governments are also given liberty to enact the bye-laws for liquor industry on their own; hence any significant policy changes adversely affect the whole industry. Further, the liquor retailing is tender driven and the successful bidders' get license for trading for a period of one year and has to go through same process for renewal of licenses. Hence, it leads to aggressive bidding by the players resulting

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications

*Issuer did not cooperate; Based on best available information

into pressure on the profitability margins and also uncertainty over future revenue visibility in case of non-renewal of licenses.

KSH's constitution as proprietorship firm with moderate net worth base restricts its overall financial flexibility in terms of limited access to external funds for any future expansion plans. Also, there is inherent risk of possibility of withdrawal of capital and dissolution of the firm in case of death/insolvency of the proprietor.

Key rating strengths

Experienced promoters

The management of the firm has vast experience in the liquor industry being present in the industry since long period of time through group concern. Shivhare Liquor group has other associate concern namely Ram Swaroop Shivhare, Gopal Shivhare, Laxmi Narayan Shivhare, Kalpna Shivhare, Kamala Shivhare, Ranjeet Shivhare and Rahul Shivhare which are engaged in similar business activity. The overall affairs of the firm are managed by promoters, assisted by a team of experienced personnel.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non Co-operation by Issuer](#)

[Criteria on assigning Outlook and Credit Watch to Credit Rating](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Wholesale Trading](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

About the firm

Established in 1990, M/s Kalpana Shivhare (KSH) is a sole proprietorship firm which is into the business of retailing of alcohol. The proprietor also owns and operates petrol pump under the name M/s Patel & Sons in Madhya Pradesh. KSH is part of Shivhare Liquor Group which is based out of Madhya Pradesh. KSH undertakes retail trade of Indian made foreign liquor (IMFL), country liquor (CL), wine etc. and holds retail license for liquor shops in the state of MP. The firm enters into open tendering process every year to avail license for the retailing of the liquor. Depending upon the allotment of shops during tendering, the number of shops held by the company varies every year.

Brief Financials (Rs. crore)	FY21 (A)	FY22 (Prov.)	FY23 (Prov.)
Total operating income	0.54	7.94	NA
PBILDT	0.51	0.66	
PAT	-0.11	0.19	
Overall gearing (times)	0.90	1.62	
Interest coverage (times)	0.84	1.50	

*A: Audited; Prov.: Provisional, NA: Not available

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	3.50	CARE B-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	5.00	CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	1.50	CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (23-Mar-21) 2)CARE C; Stable; ISSUER NOT COOPERATING* (23-Mar-21) 3)CARE C; Stable; ISSUER NOT COOPERATING* (01-Jul-20)	1)CARE B; Stable; ISSUER NOT COOPERATING* (05-Jun-19)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	-	-	-	-	1)CARE C; Stable / CARE A4; ISSUER NOT COOPERATING* (23-Mar-21) 2)Withdrawn (23-Mar-21) 3)CARE C; Stable / CARE A4; ISSUER NOT COOPERATING* (01-Jul-20)	1)CARE B; Stable / CARE A4; ISSUER NOT COOPERATING* (05-Jun-19)
3	Fund-based - LT-Cash Credit	LT	3.50	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B-; Stable (20-Apr-21)	-	-
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	5.00	CARE B-; Stable / CARE A4; ISSUER	-	1)CARE B-; Stable / CARE	-	-

				NOT COOPERATING *		A4 (20-Apr-21)		
5	Fund-based/Non-fund-based-LT/ST	LT/ST *	1.50	CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE B-; Stable / CARE A4 (20-Apr-21)	-	-

Annexure 3: Covenants of rated instrument/facility: Not Applicable

Annexure 4: Complexity level of various instruments rated for this firm

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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