

## Manoj Kumar Pandey

September 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	20.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

Manoj Kumar Pandey (MKP) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on MKP's bank facilities will now be denoted as CARE BB-; Stable; ISSUER NOT COOPERATING\*.

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

While arriving at the rating of MKP, CARE has taken a combined view of MKP and SRA Enterprises (SRA), as both entities (together referred to as 'Group') have common promoters, common management, inter group transactions and operational business linkages.

The downgrade in the rating assigned to bank facilities of MKP factors in the thin profitability margins coupled with leveraged capital structure of the group. The rating also factors in the constitution of the firm being a proprietorship concern and risk associated with uncertainty in liquor trading business and highly regulated liquor industry with intense competition. The credit profile derives comfort from the improved scale of operations and moderate operating cycle of the group supported by experienced promoter.

### Analytical approach: Combined

The combined financials of MKP and SRA Enterprises have been considered as both the entities are in the same line of business with common promoters and group synergies and are controlled by a common management team. Further, SRA enterprises is engaged in wholesale trading of Indian-made foreign liquor (IMFL) & beer segment and MKP is in wholesale trading of country liquor segment.

### Outlook: Stable

CARE Ratings believes that the entity shall benefit from the experience of its proprietor as well as well established presence in the Kanpur district.

### Detailed description of key rating drivers:

#### Key weaknesses

**Thin profitability margins:** The profitability margins of the group continue to remain thin during the FY24 (refers to April 01 to March 31) on account of trading nature of the business and highly fragmented nature of industry characterized by intense competition. Moreover, it operates in a highly regulated liquor industry, where prices are regulated and controlled by the state government. Thus, PBILDT (Profit Before Interest, Lease, Depreciation, and Tax) and PAT (Profit After Tax) margin stood at 1.50% and 0.95% as on March 31, 2024, as against 1.14% and 0.80% as on March 31, 2023, although profitability has improved in absolute terms owing to increased scale of operations.

**Highly regulated liquor industry with intense competition:** Liquor industry in India is highly government-controlled with high level of taxes and levies, regulations for procuring license, creating or expanding distilling/brewing capacities, wholesale and retail distribution as well as regulations on advertising of the liquor. Any adverse regulatory change could affect players across the value chain. The duty and tax structure are also complex and varies across states. Any change in the duty structure can also hit the demand-supply dynamics in a region. In addition to above, due to the presence of many players, the liquor industry suffers from limited pricing flexibility resulting in low margins.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Uncertainty in liquor trading business:** Normally the liquor vends are allotted through auction or lottery system, however in UP the state government is renewing the allocated liquor vends since last 5 years and there is no auction or lottery. This result in lower uncertainty in the liquor business as the firm has an option to renew or not to renew the liquor vends every year depending on the profitability of each vend. However, this policy can be changed anytime by the State government and shift to lottery or auction, which result in risk to the firm.

**Constitution of the entity:** MKP's constitution being a proprietorship firm has the inherent risk of possibility of withdrawal of the proprietor's capital at the time of personal contingency and firm being dissolved upon the death/retirement of proprietor. Moreover, proprietorship firms have restricted access to external borrowing as credit worthiness of proprietor would be key factors affecting credit decision for lenders. Further, SRA is also a partnership firm and exposed to risk as equivalent to proprietorship firm and unlimited liability.

### Key strengths

**Average Financial risk profile:** The scale of operations of the group improved slightly during the FY24 by ~4% to. ₹489.52 crores. Group has generated cash accruals of ₹4.72 crores as on March 31, 2024, as compared to ₹3.79 crores as on March 31, 2023. The capital structure of the group remains leveraged, however improved slightly during FY24 on a year-on-year basis marked by overall gearing of 1.38x as on March 31, 2024, as compared to 1.83x as on March 31, 2023. The improvement in capital structure was majorly due to repayment of term loan and slightly improvement in the net worth of the group.

**Moderate operating cycle:** The operating cycle of the group stood moderate at 41 days as on March 31, 2024. Being present in a highly competitive business, the group normally extend credit period of around 30-40 days to its customers. Further, the group receives an average credit period of around 15-20 days from its suppliers. Further, liquidity of group slightly improved during FY24 marked by current and quick ratio of 1.46x and 1.34x as on March 31, 2024, as compared to 1.30x and 0.97x as on March 31, 2023.

**Experienced proprietor and management team:** Incorporated in 2018, Manoj Kumar Pandey, is promoted by Mr. Manoj Kumar Pandey and SRA Enterprises is a partnership firm lead by Mr. Manoj Kumar Pandey and Mr. Akashat Jain. The revenue of SRA Enterprises has improved significantly with the joining of Mr. Akashat Jain. They are well supported by a professional and experienced management team.

### Liquidity: Stretched

The group has earned Gross Cash accruals (GCA) of Rs. 4.72 crores as on March 31, 2024. The current and quick ratio stood at a moderate level of 1.46x and 1.34x, as on March 31, 2024, coupled with moderation in overall operating cycle to 41 days during FY24 from 23 days during FY23.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

### Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Wholesale Trading](#)

### About the firm and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Beverages	Breweries & Distilleries

Uttar Pradesh based MKP was established as proprietorship firm in May 2018. The firm is managed by Manoj Kumar Pandey as sole proprietor. The firm is engaged in the wholesale trading of country liquor, and they have licenses for distribution in Kanpur district of Uttar Pradesh. MKP makes purchases from liquor manufacturing companies of different brands by placing its order through central excise portal and receives the stock in a span of 2 to 3 days. MKP sells its product only to authorized retailers and bars under the strict excise policy (post inspecting their respective licenses).

Brief Financials- Combined (₹ crore)	March 31, 2022 (UA)	March 31, 2023 (UA)	March 31, 2024 (UA)
Total operating income	274.64	470.03	489.52
PBILDT	4.41	5.36	7.34
PAT	3.79	3.75	4.66
Overall gearing (times)	0.58	1.83	1.38
Interest coverage (times)	2.23	1.59	1.64

UA: Unaudited; Note: these are latest available financial results

Basis of combination: The numbers have been combined through row-by-row addition of all line items of all the entities mentioned under Analytical approach after excluding intra-group transactions.

Brief Financials- MKP (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	62.16	161.32	207.85
PBILDT	0.76	1.24	1.75
PAT	0.95	1.00	1.40
Overall gearing (times)	1.11	1.46	1.68
Interest coverage (times)	0.83	0.72	0.94

A: Audited; UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	17.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	01/10/2026	3.00	CARE BB-; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	17.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (03-Nov-23)	1)CARE BB; Stable (28-Sep-22)	1)CARE BB-; Stable (02-Aug-21)
2	Fund-based - LT-Term Loan	LT	3.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (03-Nov-23)	1)CARE BB; Stable (28-Sep-22)	-

\*Issuer did not cooperate; based on best available information.

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

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

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Puneet Kansal Director <b>CARE Ratings Limited</b> Phone: 120-4452000 E-mail: <a href="mailto:puneet.kansal@careedge.in">puneet.kansal@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 912267543444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	Rajan Sukhija Assistant Director <b>CARE Ratings Limited</b> Phone: 91-120-4452000 E-mail: <a href="mailto:Rajan.Sukhija@careedge.in">Rajan.Sukhija@careedge.in</a>
	Kritika Goyal Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:kritika.goyal@careedge.in">kritika.goyal@careedge.in</a>

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information, please visit [www.careedge.in](http://www.careedge.in)**