

Manjeet Singh Bhatia

November 22, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	22.00	CARE C; Stable; ISSUER NOT COOPERATING* (Single C; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B-; Stable (Single B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	7.00	CARE C; Stable / CARE A4; ISSUER NOT COOPERATING* (Single C; Outlook: Stable / A Four ISSUER NOT COOPERATING*)	Revised from CARE B-; Stable / CARE A4 (Single B Minus; Outlook: Stable / A Four) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	29.00 (₹ Twenty-Nine Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Manjeet Singh Bhatia (MSB) to monitor the rating(s) vide e-mail communications dated August 02, 2022, September 05, 2022, October 31, 2022, November 01, 2022 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings on STC's bank facilities will now be denoted as **CARE C; Stable / CARE A4; ISSUER NOT COOPERATING**.

The ratings assigned to the bank facilities of MSD have been revised on account of non-availability of requisite information. The ratings also take into account thin profitability margins, leveraged capital structure and weak debt coverage indicators during FY21 (Audited; refers to the period April 1 to March 31). Further, rating remained constrained on account of uncertainty in allocation/distribution of liquor shop license during auction process, high business risk due to regulated nature of liquor industry as well as partnership nature constitution.

The ratings, however, derives comfort from healthy experience of promoter in liquor trading business and favorable demand outlook with steady increase in consumption of alcohol. The ratings further derive strength from moderate scale of operations during FY21.

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

Thin Profitability margins

The profitability position of the entity deteriorated substantially by 1052 bps and remained thin marked by PBILDT margin at 0.13% during FY21 as against 10.65% in FY20. Further MSD had booked net loss of Rs.4.68 crore in FY21 as against net profit of Rs.1.73 crore in FY20.

Leverage capital structure and weak debt coverage indicators

The capital structure of the firm remained leveraged marked by negative tangible net worth level as on March 31, 2021 as against net worth of Rs.3.08 crore as on March 31, 2021. The debt coverage indicators of the firm remained weak marked by cash losses of Rs.4.18 crore booked in FY21 as against Gross cash accruals of Rs.2.37 crore in FY20.

Uncertainty in allocation/distribution of liquor shop license during auction process

As per liquor policy of Madhya Pradesh Government, every year shop licenses are issued through tender and successful bidders get license for trading for a period of one year for a specific location and have to go through similar process every year for renewal of licenses. For the licenses, entity has to pay some advance fees and also provide Bank guarantee (BG). The license fee is to be paid by licensee in every 15 days. Every year as per policy, the liquor shop operators in every district are given option for auto-renewal of licenses with stipulated escalation subject to receipt of consent of minimum 70% of shop operators else all shops would go for normal auction process resulting in uncertainty on renewal of licenses.

High business risk due to regulated nature of liquor industry

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 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

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

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

Partnership nature of the firm

On account of MSB's constitution as a partnership firm, the risk associated with withdrawal of partner's capital exists which may affect its financial flexibility in the eventuality of occurrence of death/insolvency of partner as it has limited ability to raise capital and poor succession planning may result in dissolution of the firm.

Key Rating Strengths

Moderate scale of operations

The scale of operations of MSB grew by ~31% however remained moderate as marked by Total Operating Income (TOI) at Rs.80.50 crore during FY21 as against Rs.61.41 crore during FY20 mainly on account of allotment of license for 58 shops for liquor trading during FY21 as against 41 shops in FY20.

Healthy experience in liquor trading business

Mr. Manjeet Singh Bhatia, promoter of MSB has an experience of more than a decade in the liquor industry.

Favorable demand outlook with steady increase in consumption of alcohol

Indian Liquor industry is one of the growing industries despite being subjected to high taxes and innumerable regulations by government. Country Liquor (CL) shares more than 50% of total liquor consumption on account of low cost and easy availability. However, in last five years Indian Made Foreign Liquor (IMFL) segment has seen higher growth rate of around 10-12% than CL whose growth rate was around 5-8%. The factors such as rising income levels and changing mind-sets which are more open to the consumption of alcoholic beverages drives the growth of IMFL segment. In addition, changing consumer preference towards premium varieties have resulted in improvement in sales mix of industry. Hence, Indian liquor industry is envisaged to continue the trend of steady growth supported by increasing demand led volume growth.

Analytical approach: Standalone

Applicable criteria

Policy in respect of Non-cooperation by issuer

Policy on default recognition

Financial Ratios – Non financial Sector

Liquidity Analysis of Non-financial sector entities

Rating Outlook and Credit Watch

Short Term Instruments

Wholesale Trading

Policy on Withdrawal of Ratings

About the entity

Indore (Madhya Pradesh) based Manjeet Singh Bhatia (MSB) was originally established as a proprietorship firm by Mr. Manjeet Singh Bhatia in 2008 and subsequently reconstituted as a partnership firm on April 01, 2019 as M/s Manjeet Singh Bhatia (MSB). Mr. Manjeet Singh Bhatia, his wife Mrs. Puneet Kaur Bhatia and D S Capital Markets Private Limited are the partners of the firm. MSB is engaged into the business of retailing of alcohol (IMFL and CL) through licensed liquor shops in the state of Madhya Pradesh (MP). The firm enters into open tendering process every year to avail license for the retailing of the liquor and depending upon the allotment of shops during tendering, the number of shops held by the entity varies every year. The entity operated 41 retail shops during FY20 and received license for operating 58 retail shops in FY21.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	H1FY23 (Prov.)
Total operating income	80.50	NA	NA
PBILDT	0.11	NA	NA
PAT	-4.68	NA	NA
Overall gearing (times)	NM	NA	NA
Interest coverage (times)	0.02	NA	NA

A: Audited; Prov.: Provisional, NM: Not Meaningful, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Please refer Annexure-3

Complexity level of various instruments rated for this company: Please refer Annexure-4

Bank Lender Details for this Company: Please refer 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	14.45	CARE C; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Proposed fund based limits		-	-	-	7.55	CARE C; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	7.00	CARE C; 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-Term Loan	LT	-	-	-	-	1)CARE D (22-Jul-20) 2)Withdrawn (22-Jul-20)	1)CARE D (17-Jun-19)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	-	-	-	-	1)CARE D / CARE D (22-Jul-20) 2)Withdrawn (22-Jul-20)	1)CARE D / CARE D (17-Jun-19)
3	Fund-based/Non-fund-based-LT/ST	LT/ST*	-	-	-	-	1)CARE D / CARE D (22-Jul-20) 2)Withdrawn (22-Jul-20)	1)CARE D / CARE D (17-Jun-19)
4	Fund-based - LT-Cash Credit	LT	14.45	CARE C; Stable; ISSUER NOT COOPERATING*	-	1)CARE B-; Stable (23-Mar-22)	-	-
5	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	7.00	CARE C; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE B-; Stable / CARE A4 (23-Mar-22)	-	-
6	Fund-based - LT-Proposed fund based limits	LT	7.55	CARE C; Stable; ISSUER NOT COOPERATING*	-	1)CARE B-; Stable (23-Mar-22)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- 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 - LT-Proposed fund based limits	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 Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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