

Mukesh Kumar Namdev

December 29, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	2.00	CARE B+; Stable / CARE A4 (Single B Plus ; Outlook: Stable / A Four)	Assigned
Short Term Bank Facilities	7.00	CARE A4 (A Four)	Assigned
Total Facilities	9.00 (Rs. Nine Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale and Key Rating Drivers:

The ratings assigned to the bank facilities of Mukesh Kumar Namdev (MKN) (Partner in 'Maakasturi Enterprises LLP' (MEL), engaged into the business of retailing of alcohol) are primarily 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 along with proprietorship nature of constitution. Further, the ratings remained constrained due to modest income along with moderate network as on March 31, 2020 (Provisional; refers to the period April 1 to March 31).

However, the ratings derive strength from experienced proprietor along favourable demand outlook with steady increase in consumption of alcohol.

Rating Sensitivities

Positive factors

- Sustaining moderate financial risk profile in MEL marked by scale of operations with an increase in PBILDT margin of more than 2.50% and reporting overall gearing of 2 times or below

Negative Factors

- Decrease in licenses received for retail shops and any changes in government regulation which adversely impacts the operations
- Deterioration in debt coverage indicators of MEL marked by TDGCA of 15 years or higher

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest income and adequate network base

Mr. Mukesh Kumar Namdev earned income of Rs.0.21crore and Rs.0.21crore during FY19 and FY20 respectively earned from sources like income from salary, income from business & profession, income from capital gain and income from other sources. Further, as on March 31, 2020, the proprietor has network of Rs.1.45 crore along with total debt of Rs.1.40crore which mainly pertained to Bank OD of Rs.0.17crore, Loan against property of Rs.1.22crore and unsecured loan of Rs.0.01crore.

Further, the partnership firm 'Maakasturi Enterprises LLP' for which the proprietor has availed Bank Guarantee, has reported TOI of Rs.601.78crore during FY21(Prov.) along with PBILDT of Rs.2.92crore and PAT of Rs.2.87crore. As on March 31, 2021, tangible net worth remained at Rs.42.87crore and total debt remained at Rs.6.58crore which mainly pertained to unsecured loan from friends & relatives.

The capital structure of the firm remained comfortable marked by overall gearing of 0.15 times as on March 31, 2021. Debt coverage indicators also remained comfortable marked by interest coverage of 58.40 times during FY21 and TDGCA of 2.29 times as on March 31, 2021.

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 has to go through similar process every year for renewal of licenses. For the licenses, entity has to pay 5% advance fees and 11% in form of Bank guarantee (BG) and BG is released after one month of completion of licenses. 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 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 byelaws for liquor industry on their own; hence any significant policy changes adversely affect the whole industry.

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

Proprietor nature of the constitution

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

Key Rating Strengths

Experienced proprietor

The proprietor 'Mr. Mukesh Kumar Namdev' is engaged into liquor trading in its individual name since more than a decade and is also partner at the firm 'Maakasturi Enterprises LLP' since 2020 and 'Anita Liquor LLP' since 2021. Moreover, he also holds directorship since more than a decade at 'Ashirwad Cinevision Private Limited' which is into the business of producing films. He is partner at the firm 'Sumit Enterprises' and 'Ashirwad Enterprises' which is into real estate business since 2005.

Favourable 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. 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.

Liquidity: Stretched

Non-fund based working capital borrowings remained fully utilized for the past 12 months ending November, 2021. Moratorium benefit not availed on its bank facilities.

Analytical Approach: Standalone

Applicable Criteria

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

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

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

[Short Term Instruments](#)

[Rating methodology-Wholesale Trading](#)

About the Proprietor

Mukesh Kumar Namdev (MKN) is one of the partners in Indore (Madhya Pradesh) based firm 'Maakasturi Enterprises LLP' (MEL) which is a limited liability partnership incorporated on March 03, 2020. The entity is engaged into the business of retailing of alcohol i.e Indian made foreign liquor (IMFL), Foreign made foreign liquor (FMFL) and Country liquor (CL) through licensed 80 liquor shops for the entire Indore, Madhya Pradesh.

MEL bids tender 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. Hence, the shops are allocated to MEL via bidding process and partner 'Mr. Mukesh Kumar Namdev' has availed bank guarantee from the bank in its individual capacity. The entity operated 80 retail shops during FY21 and continue to operate 80 retail shops during FY22 as well.

Brief Financials (Rs. crore)	31-03-2020 (Prov.)	31-03-2021	Till December 24, 2021
Total operating income	0.21	NA	NA
PBILDT	0.21	NA	NA
PAT	0.21	NA	NA
Overall gearing (times)	0.96	NA	NA
Interest coverage (times)	NA	NA	NA

Prov.: Provisional, NA: Not available

Status of non-cooperation with previous CRA: None

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

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-Bank Guarantees		-	-	-	7.00	CARE A4
Fund-based - LT/ ST-Bank Overdraft		-	-	-	0.01	CARE B+; Stable / CARE A4
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	1.99	CARE B+; Stable / CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Non-fund-based - ST-Bank Guarantees	ST	7.00	CARE A4				
2	Fund-based - LT/ ST-Bank Overdraft	LT/ST	0.01	CARE B+; Stable / CARE A4				
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	1.99	CARE B+; Stable / CARE A4				

Annexure 3: Covenants of rated instrument/facility: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT/ ST-Bank Overdraft	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	Non-fund-based - ST-Bank Guarantees	Simple

Annexure 5: Bank Lender Details for this entity

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. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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