

## Rating Report

### Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank Credit Facilities amounting to ₹ 6.50 Cr of A. N. Enterprise

Brickwork Ratings has assigned the following **Ratings**<sup>1</sup> to the Bank Loan Facilities amounting to ₹ 6.50 Cr of A. N. Enterprise (ANE)

Facility	Limits (₹ Cr)	Tenure	Ratings
<b>Fund Based:</b> Cash Credit	<b>5.00</b>	<b>Long Term</b>	<b>BWR BB-</b> (Pronounced BWR Double B Minus) <b>(Outlook : Stable)</b>
<b>Non Fund Based:</b> Bank Guarantee	<b>1.50</b>	<b>Short Term</b>	<b>BWR A4</b> (Pronounced BWR A Four)
<b>Total</b>	<b>6.50</b>	<b>(INR Six Crores and Fifty Lakhs only)</b>	

BWR has essentially relied upon the audited financial results of A. N. Enterprise up to FY13, provisional financials for FY14 projections for FY15 and information and clarifications provided by the company.

The ratings assigned to the bank facilities of *A. N. Enterprise* (ANE) factors primarily the experience of the promoters in liquor trade business as a distributor, reputed IMFL brands being traded by the company and its wide presence in the state. However, the rating is constrained by regulatory risk for the liquor trading sector, small scale of operations, constitution of the firm and working capital intensive nature of business operations.

#### Background:

West Bengal Based *A. N. Enterprise* (ANE) was incorporated in 2001 as a partnership firm by the managing partners namely Mr. Narayan Chandra Das and Mr. Ajoy Kumar Das.

ANE is engaged in Wholesale Distribution of Indian Made Foreign Liquor (IMFL) from various reputed manufacturers and has distributorship for their brands in eight districts in West Bengal.

#### Business activities and Performance:

ANE has a strong foothold in the trading of domestic IMFL segments as well as with its various established brands with presence in several areas of West Bengal. ANE is a wholesale distributor of Indian Made Foreign Liquor (IMFL) such as United Breweries Ltd, ADB Pvt Ltd, IFB Agro Industries Ltd, Mount Shivalik Breweries Ltd, Pincon Spirit Ltd and SAB Miller India etc.; through a network of over 200 licensees.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

## Financial Performance

Turnover during FY13 has improved marginally to ₹29.97 Crores from ₹27.94 Crores in FY12 registering a 7.26% growth. However; PAT was at ₹0.06 Crores in FY13 and has been consistently low over the last two years. Net worth of the firm was small at ₹1.31 Crores. Operating margin improved marginally in FY'13 by 2.43%. Receivables are moderate (for FY'13 at 57 days) and payables are less than a month which has strained the liquidity. The gearing ratio (Debt/TNW) was at 4.09x. As per the provisional financials, the firm has achieved revenues of ₹16.98 Crores for FY14.

## Credit Risk Assessment:

ANE's Net worth was small at ₹1.31 Crores in FY'13 due to which the gearing is high. Further being a trading concern, operating profit margin was also low at 2.43 % and the net profit margin was less than one percent. The liquidity is strained due to the payable days being lower and the receivable days being higher. However; ANE does not have term loan and promoters experience and strong licensee network would lead the firm to improve its scale of operation in the upcoming future.

'The Key Financials are given in the annexures'.

## Rating Outlook:

The Company's performance over the next year is expected to be stable. The ability of ANE to improve its scale of operations, net worth and gearing and establish ANE's presence in the State with competition from the existing players in the domain with optimal usage of the bank loan facilities will be the key rating sensitivities.

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**Annexure: I** **A. N. Enterprise**  
**Balance Sheet**

<b>Balance Sheet</b>			
<b>₹ in Crores</b>	<b>Mar'11</b>	<b>Mar'12</b>	<b>Mar'13</b>
<b>Liabilities</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
<b>EQUITY AND RESERVES</b>	<b>1.18</b>	<b>0.77</b>	<b>1.31</b>
Share capital	1.13	0.71	1.24
Reserves and Surplus	0.05	0.06	0.06
<b>Non-current liabilities</b>	<b>0.44</b>	<b>0.44</b>	<b>0.00</b>
Long-Term Borrowings	0.44	0.44	0.00
<b>Current liabilities</b>	<b>7.06</b>	<b>7.86</b>	<b>7.08</b>
Short-Term Borrowings	3.24	4.62	5.34
Trade Payables	1.23	1.73	1.03
Other Current Liabilities	2.58	1.48	0.68
Short-Term Provisions	0.00	0.03	0.03
<b>Total Liabilities</b>	<b>8.68</b>	<b>9.07</b>	<b>8.39</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>0.03</b>	<b>0.02</b>	<b>0.02</b>
Net Fixed assets	0.03	0.02	0.02
<b>Current assets</b>	<b>8.64</b>	<b>9.05</b>	<b>8.38</b>
Inventories	0.99	0.66	3.14
Trade Receivables < Six Months	4.56	5.62	3.75
Cash and Cash Equivalents	0.13	0.32	0.16
Short-Term Loans and Advances	2.34	1.92	1.28
Other Current Assets	0.63	0.53	0.03
<b>Total Assets</b>	<b>8.68</b>	<b>9.07</b>	<b>8.39</b>

**Annexure: II** **A. N. Enterprise  
Income Statement**

<b>Profit and Loss Account</b>			
<b>₹ in Crores</b>	<b>Mar'11</b>	<b>Mar'12</b>	<b>Mar'13</b>
<b>Result Type</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
Gross Sales	33.31	27.94	29.93
<b>Net Sales</b>	<b>33.31</b>	<b>27.94</b>	<b>29.93</b>
Other Operating Income	0.65	0.76	0.58
<b>Total Operating Income</b>	<b>33.95</b>	<b>28.70</b>	<b>30.51</b>
<b>Operating Expenses</b>	<b>33.61</b>	<b>28.12</b>	<b>29.77</b>
<b>OPBDIT</b>	<b>0.34</b>	<b>0.58</b>	<b>0.74</b>
Depreciation/Amortization/Impairment	0.01	0.01	0.01
<b>OPBIT</b>	<b>0.34</b>	<b>0.57</b>	<b>0.73</b>
Interest and Finance Charges	0.40	0.68	0.78
<b>OPBT</b>	<b>-0.07</b>	<b>-0.11</b>	<b>-0.04</b>
Non -Operating Income (Expenses)	0.16	0.21	0.13
<b>PBT</b>	<b>0.09</b>	<b>0.09</b>	<b>0.09</b>
Extraordinary/Prior Period - Income	0.00	0.00	0.00
Provision for Taxes	0.04	0.03	0.03
<b>PAT</b>	<b>0.05</b>	<b>0.06</b>	<b>0.06</b>

**Annexure III: Ratio Analysis (As per BWR Calculation)**

<b>Particulars</b>	<b>FY'11 Audited</b>	<b>FY'12 Audited</b>	<b>FY'13 Audited</b>
Total Debt/TNW	3.12	6.58	4.09
TOL/TNW	5.97	10.22	5.41
Total Net worth	1.18	0.77	1.31
ISCR	0.85	0.85	0.96
ISCR(Analyzed)	0.90	0.90	1.02
DSCR	1.15	1.02	1.01
DSCR(Analyzed)	1.15	0.69	0.76
Net Cash Accruals/Total Debt	0.02	0.01	0.01
Net Profit Margin	0.15	0.22	0.21
Operating Profit Margin	1.01	2.01	2.43
ROCE	6.89	10.60	11.77
Current Ratio	1.22	1.15	1.18
Days Receivables	50	66	57
Days Inventory	11	11	26
Days Payable	14	20	17
Conversion Cycle	47	57	66