

Press Release

Fullarton Distilleries Private Limited (FDPL)

April 11, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.12.00 Cr
Long Term Rating	SMERA BB/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as SMERA double B) on the Rs.12.00 cr bank facilities of Fullarton Distilleries Private Limited (FDPL). The outlook is '**Stable**'.

FDPL was incorporated in January 2013 to manufacture Indian Made Foreign Liquor (IMFL). The company, promoted by Mr. Rajiv Thadani and Mr. Haresh Navalraj Jhuremalani, exports IMFL to eastern and western African countries via its trade partner, N K Limited. The manufacturing unit is located at Goa.

List of key rating drivers and their detailed description

Strengths:

Promoters' extensive experience in the liquor and packaging industry

The promoters, Mr. Rajiv Thadani and Mr. Haresh Navalraj Jhuremalani, have more than two decades of experience in packaging and trading of liquor.

Established relations with N K Limited-trading partner

FDPL has established relations with its trading partner, N K Limited, Hong Kong owned by Mr Jhuremalani. The company has tie-ups with several African countries for trading of alcohol, stationery, snacks among others.

Healthy financial risk profile

FDPL has healthy financial risk profile with EBITDA margins of 10.21 per cent for FY2015-16 and PAT margins at 4.50 per cent. The company has low gearing (debt/equity) of 0.28 times for FY2015-16 and healthy Interest Coverage ratio of 152.57 times. The net worth stood at Rs.14.93 cr for FY2015-16 as against Rs. 6.23 cr for FY2014-15. The company has healthy net cash accruals of Rs. 2.06 cr and NCA/TD stood at 0.50 times.

Weaknesses

Uneven revenues

FDPL's revenue is uneven at Rs. 25.95 cr for FY2015-16 as against Rs. 30.15 cr for FY2014-15. The company registered revenue of Rs. 21 cr from April to December 2016.

Reducing margins

FDPL's margins have been falling due to the increase in selling and administration costs. PAT margins stood at 4.50 per cent for FY2015-16 as against 5.02 per cent for FY2014-15. The EBITDA margins stood at 10.21 per cent for FY2015-16 as against 10.69 per cent FY2014-15.

Foreign exchange fluctuation risk:

With 100 per cent of the revenue coming from exports, the company is exposed to foreign exchange fluctuation risk.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook - Stable

SMERA believes that the company will maintain a stable outlook and benefit from its promoters experience in the alcoholic industry. The outlook may be revised to 'Positive' in case the company reports envisaged sales and net cash accruals after incurring debt funded capex. Conversely, the outlook may be revised to 'Negative' in case the company reports lower-than-expected revenues, profitability or deterioration in the financial risk profile and liquidity position.

About the Rated Entity

FDPL was incorporated in January 2013 to manufacture Indian Made Foreign Liquor. The company was promoted by Mr. Rajiv Thadani and Mr. Haresh Navalraj Jhuremalani. FDPL exports its products to eastern and western African countries via its trade partner, N K Limited.

In FY2015-16, FDPL reported profit after tax (PAT) of Rs. 1.17 cr on operating income of Rs.25.95 cr as against profit after tax (PAT) of Rs1.51 cr on operating income of Rs30.15 cr in the previous year. The net worth stood at Rs.14.93 cr as on March 31, 2016 against Rs.6.26 cr a year earlier.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	4.25	SMERA BB /Stable (Assigned)	-	-	-	-	-	-
Proposed Fund based facility	LT	7.75	SMERA BB /Stable (Reaffirmed)	Jan 04, 2016	SMERA BB/Stable (Assigned)	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/Outlook
Cash Credit	NA	NA	NA	4.25	SMERA BB/Stable (Assigned)
Proposed Fund based facility	NA	NA	NA	7.75	SMERA BB/Stable (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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