

Press Release

Fullarton Distilleries Private Limited

June 15, 2018



Rating Withdrawn and Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.12.00 crore bank facilities of Fullarton Distilleries Private Limited. Further, Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.12.00 crore bank facilities of Fullarton Distilleries Private Limited. The outlook is '**Stable**'.

Fullarton Distilleries Private Limited was incorporated in January 2013 and is engaged in manufacturing of Indian Made Foreign Liquor (IMFL). The company is promoted by Mr. Rajiv Thadani and Mr. Haresh Jhuremalani. Currently, FDPL exports its production to Eastern and Western African countries via its trade partner, Enkay Limited. The manufacturing facility is located at Goa with an installed capacity of 1188000 cases per annum.

Key Rating Drivers

Strengths

• Promoters' extensive experience in the liquor and packaging industry

The promoters, Mr. Thadani and Mr. Jhuremalani both have more than two decades of experience in packaging and liquor trading industries respectively. Mr. Thadani started a packaging company by the name of Uniglobe Packaging and later sold it to Amcor Limited. He is currently working with Amcor Flexibles India Private Limited as Director of Regional Sales and Business Development. On the other hand, Mr. Jhuremalani owns Enkay Limited; a Hong Kong based alcohol trading company. Mr. Jhuremalani has more than two decades of experience in trading of alcohol to Eastern and Western African countries. Acuité believes that the promoters' extensive experience will help FDPL to sustain its existing business profile over the medium term.

• Established relations with trade partner

FDPL has established relations with its trading partner, Enkay Limited which is based out of Hong Kong. Enkay Limited is owned by the other promoter, Mr. Jhuremalani. The company has established links with Eastern and Western African countries for trading of alcohol, stationery, snacks, among others. Enkay Limited has taken the onus of distributing and selling packaged alcohol manufactured by FDPL. Currently, total sales of FDPL come from export sales to African countries. FDPL works on advance, hence, the counter party payment risk is nil.

• Moderate financial risk profile

The financial risk profile of FDPL remained moderate marked by tangible net worth of Rs.13.72 crore as on 31 March, 2017, which includes unsecured loans to the tune of Rs.8.78 crore considered as quasi-equity. The total debt of Rs.7.18 crore outstanding as on 31 March, 2017 consists of Rs.5.70 crore working capital borrowing from the bank and Rs.1.48 crore unsecured loans from others. The gearing (debt-equity) stood low at 0.37 times as on 31 March, 2017 and Interest Coverage Ratio stood at 10.52 times in FY2017. DSCR stood at 8.76 times in FY2017. The net cash accruals stood at Rs.1.73 crore in FY2017 as compared to Rs.2.06 crore in FY2016. The NCA/TD ratio stood at 0.31 times in FY2017 as against 0.50 times in FY2016.

- **Comfortable working capital cycle**

The working capital operations of FDPL are comfortable marked by Gross Current Assets of 68 days in FY2017 as compared to 45 days in FY2016. This is on account of lower inventory holding period of 43 days in FY2017 as against 33 days in FY2016. Also, the company functions on advance payment basis and hence does not have any receivables. The supplier days stood at 13 in FY2017 as compared to 8 in FY2016. Further, average bank limit utilisation remained below 80 percent for the last three months ended 31 May, 2018. The unencumbered cash and bank balance stood at Rs.0.43 crore as on 31 March, 2017.

Weaknesses

- **Uneven revenue trend**

Fullarton Distilleries Private Limited (FDPL) has registered declining revenue trend during the period under study (FY2015 to FY2018). In FY2018 (Provisional), FDPL has registered revenue of Rs.22.97 crore as against Rs.22.69 crore in FY2017 and Rs. 25.95 crore in FY2016. The reason being the company was shut down for three months in FY2017 as the company was shifting to their own premises from the rented premises. The EBITDA margins stood at 10.31 per cent in FY2017 as against 10.21 per cent in FY2016. The net profitability margins have declined to 3.61 percent in FY2017 as against 4.50 percent in FY2016 due to increase in interest cost in FY2017 over FY2016. Acuité believes that the ability of the company to maintain the revenues and profitability margins over the medium term will be key rating sensitivity.

- **Foreign exchange fluctuation risk**

The entire revenue generation of FDPL is through exports via Enkay Limited, thereby exposing the company to foreign exchange fluctuation risk. Any adverse change in the exchange rates may impact the revenues and profitability margins of the company.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of FDPL to arrive at the rating.

Outlook: Stable

Acuité believes that FDPL will maintain a 'Stable' outlook from its association with ENKAY Limited and the promoters experience in the alcoholic beverage and packaging 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 or profitability, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	22.69	25.95	30.15
EBITDA	Rs. Cr.	2.34	2.65	3.22
PAT	Rs. Cr.	0.82	1.17	1.51
EBITDA Margin	(%)	10.31	10.21	10.69
PAT Margin	(%)	3.61	4.50	5.02
ROCE	(%)	7.19	14.04	41.69
Total Debt/Tangible Net Worth	Times	0.52	0.48	-
PBDIT/Interest	Times	10.52	152.57	83.64
Total Debt/PBDIT	Times	3.04	2.27	-
Gross Current Assets (Days)	Days	68	45	39

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
11-Apr-2017	Cash Credit	Long Term	4.25	ACUITE BB/Stable (Reaffirmed)
	Proposed Fund Based Facility	Long Term	7.75	ACUITE BB/Stable (Reaffirmed)
04-Jan-2016	Proposed long term loan	Long Term	12.00	ACUITE BB/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE BB /Stable (Withdrawn)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	7.75	ACUITE BB /Stable (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BB /Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB /Stable (Assigned)

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About Acuité Ratings & Research:

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