

Press Release

Tulsi Trading Corporation

26 December, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 28.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) on the Rs. 28.00 crore bank facilities of Tulsi Trading Corporation (TTC). The outlook is '**Stable**'.

Tulsi Trading Corporation (TTC), a proprietorship firm established in 1987 by Mr. Ramchand Fatnani is engaged in the distribution of beer of United Breweries Limited (UBL) in Ulhasnagar and Navi Mumbai (Airoli to Belapur) and IMFL brands of United Spirits Limited (USL) in Dombivali and Kalyan. The offices are located at Ulhasnagar and Thane and warehouses at Kongaon (Kalyan), Maharashtra.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

The firm was established in 1987 by Mr. Ramchand Fatnani who has more than four decades of experience in the liquor industry. He is joined by Mr. Bhagwan Fatnani, Mr. Shanker Fatnani and Mr. Bunty Fatnani who possess collective experience of more than two decades. The extensive experience of the management and long track record of operations have helped the firm forge long lasting relations with its major suppliers, UBL and USL

- **Moderate scale of operations**

The group registered revenue of Rs.422.69 crore in FY2017 as against Rs. 432.25 crore in FY2016. TTC registered revenue of Rs. 221.03 crore (Previous year: Rs. 326.76 crore) and Ramson and Bros. (RB) registered Rs. 201.67 crore (Previous year: Rs. 105.49 crore) in FY2017. The group registered revenue of Rs. 202 crore for the period April 2017 to November 2017(Provisional).

- **Moderate financial riskprofile**

The financial risk profile stands moderate marked by net worth of Rs. 26.16 crore as on 31 March, 2017 as compared to Rs. 22.39 crore as on 31 March, 2016. The gearing (debt-equity) stood at a moderate 1.57 times as on 31 March, 2017 compared to 1.55 times as on 31 March, 2016. The total outstanding liabilities to total net worth (TOL/TNW) stood at 1.92 times as on 31 March, 2017 as against 2.26 times as on 31 March 2016. The total debt of Rs.41.06 crore as on 31 March, 2017 consists of working capital facility of Rs.37.54 crore and vehicle loans of Rs. 3.52 crore. The Interest Coverage Ratio (ICR) stood at 3.38 times for FY2017 as against 3.63 times for FY2016. SMERA believes that the Tulsi Group's financial risk profile will continue to remain comfortable backed by healthy net worth and coverage indicators along with steady cash accruals.

- **Comfortable working capital cycle and liquidity**

The group has been efficiently managing its working capital marked by Gross Current Assets (GCA) of 59 days in FY2017 as against 57 days in FY2016. The group maintained inventory of ~27 days in FY2017 as against ~23 days in FY2016. The outstanding debtors stood at ~17 days in FY2017 as against 30 days in FY2016. The average working capital limit utilisation of TTC stood at ~66 per cent and that of RB at ~61 per cent in the six months ended November 2017. The cash bank balance stood at Rs.12.93 crore as on 31 March, 2017.

Weaknesses

- **Thin profitability**

The group has thin profitability due to the trading nature of business. The EBITDA margins stood at 2.61 per cent in FY2016-17 as against 2.64 per cent in FY2015-16. The Profit after Tax (PAT) stood at 1.79 per cent in FY2017 as against 1.85 per cent in FY2016.

- **Risk related to changes in policies**

The firm is exposed to unfavourable changes in government regulations from time to time. Besides, the profitability is also vulnerable to changes in policies by the principals - UBL and USL.

- **Risk of capital withdrawal**

The firm is exposed to risk of capital withdrawal considering its proprietorship and partnership constitution.

Analytical Approach

SMERA has consolidated the financial and business risk profiles of Ramson and Bros (Partnership) and Tulsi Trading Corporation (TTC) together referred to as the Tulsi Group. The consolidation is in view of the common ownership and similarities in the lines of business.

Outlook: Stable

SMERA believes that TG will maintain a stable outlook over the medium term on account of its established track record and experienced management along with long association with its suppliers. The outlook may be revised to 'Positive' in case the firm registers significant growth in revenue and accruals along with improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant elongation in the working capital cycle or if the firm registers lower-than-expected growth in revenue and profitability or deterioration in the financial risk profile.

About the Group

The Maharashtra-based Tulsi Group was established in 1987 by Mr. Ramchand Fatnani. The group has exclusive distribution rights for approximately 50 Indian Made Foreign Liquor (IMFL) brands of United Spirits Limited (USL) and around 11 beer brands of United Breweries Limited (UBL) in selective locations in Maharashtra. The group comprises Tulsi Trading Corporation (TTC), established in 1987 and Ramson and Bros. (RB), in 2014.

About the Rated Entity - Consolidated Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	422.69	432.25	350.57
EBITDA	Rs. Cr.	11.02	11.41	9.88
PAT	Rs. Cr.	7.55	8.00	6.38
EBITDA Margin	(%)	2.61	2.64	2.82
PAT Margin	(%)	1.79	1.85	1.82
ROCE	(%)	17.42	22.71	47.55
Total Debt/Tangible Net Worth	Times	1.57	1.55	1.64
PBDIT/Interest	Times	3.38	3.63	2.92
Total Debt/PBDIT	Times	3.70	3.04	2.58
Gross Current Assets (Days)	Days	59	57	50

On standalone basis, TTC reported Profit after Tax (PAT) of Rs. 3.91 crore on operating income of Rs. 221.03 crore for FY2016-17 compared to PAT of Rs. 6.13 crore on operating income of Rs. 326.76 crore for FY2015-16.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	24.00	SMERA BBB- / Stable
Cash Credit (Proposed)	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BBB- / Stable

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ABOUT SMERA

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