



Press Release
Fratelli Wines Private Limited
December 31, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	38.63	ACUITE BBB- Negative Assigned	-
Bank Loan Ratings	75.87	ACUITE BBB- Negative Reaffirmed Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	114.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to ‘**ACUITE BBB-**’ (read as **ACUITE Triple B minus**) on the Rs 75.87 crore bank facilities of Fratelli Wines Private Limited (FWPL). The outlook is revised to ‘**Negative**’ from ‘**Stable**’.

Acuite has assigned its long-term rating of ‘**ACUITE BBB-**’ (read as **ACUITE Triple B minus**) on the Rs. 38.63 crore bank facilities of Fratelli Wines Private Limited (FWPL). The outlook is ‘**Negative**’.

Rationale for revision in outlook

The rating reaffirmation and change in outlook takes into account the decline in scale of operations and profitability margins of FWPL in H1FY2025. The rating also takes into consideration the moderate financial risk profile and the adequate liquidity position of the company. The ratings are however constrained by the working capital intensive operations and exposure to regulatory risk. Going forward, the company’s ability to improve its operating performance and profitability margins while maintaining its financial risk profile and liquidity position will remain a key rating monitorable.

About the Company

Delhi based Fratelli Wines Private Limited (FWPL) was incorporated in 2007 and commenced its operations in 2011. The company is engaged into processing of wines. The directors of the company are Mr. Gaurav Sekhri, Mrs. Puja Sekhri, Mr. Alessio Secci, Mr. Mayank Singhal and Mr. Sanjay Banati. FWPL is operating through its three wineries based in Maharashtra and Karnataka. FWPL currently has a production capacity of over 3.5 million litres per annum. The company has become wholly owned subsidiary of Fratelli Vineyards Limited (FVL) (earlier known as Tinna Trade Limited) in FY2024-25 through share swap transaction. Before this transaction, FVL was holding ~4% shares of FWPL. Through share swap transaction, FVL acquired remaining 96% stake by acquiring all shares from shareholders of FWPL.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of Fratelli Wines Private Limited (FWPL).

Key Rating Drivers

Strengths

Experienced Management

FWPL is engaged in processing of wines and the directors of the company are Mr. Gaurav Sekhri, Mrs. Puja Sekhri, Mr. Alessio Secci, Mr. Mayank Singhal and Mr. Sanjay Banati. The promoters are seasoned players in the wine processing industry. Further, Fratelli has been a brand across Karnataka, Maharashtra, Delhi, Telengana and Andhra Pradesh. Moreover, having around a decade of operational track record has helped the company to maintain

strong relations with its customers as well as with suppliers. The company has a presence in Hospitality as well. Acuité believes that the promoters' experience and healthy relations with its customers will continue to benefit company over the medium term.

Moderate Financial Risk Profile

The company has a moderate financial risk profile marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net worth of the company stood at Rs. 96.35 crore as on March 31, 2024, as against Rs. 77.34 crore as on March 31, 2023, due to accretion of reserves and increase in share capital. The gearing of the company stood at 1.09 times as on March 31, 2024, as against 1.00 times as on March 31, 2023. The total debt of the company consists of long-term debt of Rs. 40.01 crore, unsecured loans of Rs. 7.80 crore and short-term debt of Rs. 57.63 crore as on March 31, 2024. The interest coverage ratio stood at 2.96 times as on March 31, 2024, as against 3.85 times as on March 31, 2023. The DSCR stood at 1.68 times as on March 31, 2024, as against 2.17 times as on March 31, 2023.

The company has undertaken Capex of ~Rs. 35 Cr. for expansion of installed capacity by 14,00,000 litres and construction of additional factory building covering ~45,000 sqft area adjacent to the existing land in Maharashtra in FY2025. This capex is likely to support company to augment its capacities and scale of operations while having an impact on its financial risk profile to an extent. However, Acuité believes that the financial risk profile of the company is likely to remain moderate in the medium term given adequate liquidity and moderate net worth.

Weaknesses

Moderation in scale of operations and profitability

The revenue of the company increased moderately and stood at Rs. 183.16 crore in FY2024 as against the revenue of Rs. 168.34 crore in FY2023, reflecting a Y-o-Y growth of 8.80% in FY2024. However, the company has reported total revenue of Rs. 90.49 Cr. in H1FY2025 as against Rs. 112.40 Cr. in H1FY2024 due to lower sales realisation. The operating margin have moderated and stood at 14.29% in FY2024 as against 15.14% in FY2023 on account of increase in the employee cost and expenses incurred for category development, infrastructure and brand salience in FY24. Operating margin further decline and stood at ~6.27 percent in H1FY25. The PAT margin stood at 5.08 percent in FY2024 as against 4.98 percent in FY2023. Acuite believes that, while the capex will support scale of operations over the medium term, pressure on profitability margins amidst thrust on brand building in a competitive landscape and increase in finance cost would remain a key rating monitorable.

Working capital intensive operations

The company's working capital operations remained intensive marked by high GCA days of 370 days as on March 31, 2024, as against GCA days of 306 days as on March 31, 2023. The inventory days stood at 153 days for FY2024 as against 143 days for FY2023. The company needs to do ageing of the wine due to which the inventory levels are high. Also, the grapes procurement season is from December to March and the company stores a large quantity of grape stock to fulfil the future order requirements. Therefore, the creditors days stood high at year end at 223 days for FY2024 against 167 days for FY2023. The debtors' days increased and stood at 172 days for FY2024 as against 132 days for FY2023 majorly due to overdue amount from TSBCL (Telangana State Beverages Corporation Limited). The average utilization of the bank limits is high at around 93 percent for twelve months ending September 2024. Acuité believes that the working capital management of the company will continue to remain a key rating sensitivity going ahead.

Exposure to regulatory risk

The Indian alcohol industry is highly regulated at almost every stage in the value chain. Moreover, every state has its set of regulations with respect to distribution and retail channels, registration, taxation, and pricing of alcohol. The industry is expected to remain highly regulated by the government going forward exposing the business risk profile to adverse regulatory changes. Furthermore, players within the industry are susceptible to high excise duties; any adverse change in excise duties can weaken profitability, and consequently, affect its credit risk profile.

Rating Sensitivities

Significant growth in revenues along with improvement in profitability margins.

Deterioration in the financial risk profile and the liquidity position.

Further elongation of Working capital cycle.

Implications of recent acquisition by Fratelli Vineyards Limited (FVL).

Liquidity Position

Adequate

The company has an adequate liquidity position as reflected by the adequate net cash accruals as against the maturing debt obligations. The company generated cash accruals of Rs.15.79 crore in FY24 as against maturing debt obligations of Rs.3.62 crore over the same period. The company is estimated to generate cash accruals of Rs.10-20 crore over the period 2025-2026 against maturing debt obligations of Rs.3.5-5.5 crore over the same period. The company's cash and bank balance stood at Rs. 11.78 crore as on March 31, 2024. The current ratio stood at 1.46 times as on March 31, 2024.

Outlook: Stable

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	183.16	168.34
PAT	Rs. Cr.	9.30	8.38
PAT Margin	(%)	5.08	4.98
Total Debt/Tangible Net Worth	Times	1.09	1.00
PBDIT/Interest	Times	2.96	3.85

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Oct 2023	Cash Credit	Long Term	16.04	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	1.26	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	3.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Proposed Long Term Bank Facility	Long Term	1.40	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.32	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	16.56	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	6.44	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	5.07	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.68	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	6.10	ACUITE BBB- Stable (Assigned)
	Proposed Cash Credit	Long Term	12.50	ACUITE BBB- Stable (Assigned)
29 Jul 2022	Cash Credit	Long Term	13.80	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	2.24	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Working Capital Term Loan	Long Term	3.50	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Proposed Long Term Bank Facility	Long Term	1.40	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Term Loan	Long Term	0.32	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Cash Credit	Long Term	16.56	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
08 Feb 2021	Bank Guarantee (BLR)	Short Term	4.90	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	13.12	ACUITE BB (Downgraded & Withdrawn from ACUITE BB+ Stable)
	Term Loan	Long Term	1.20	ACUITE BB (Downgraded & Withdrawn from ACUITE BB+ Stable)
	Cash Credit	Long Term	12.80	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	16.56	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	2.24	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.32	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
SVC Co-Op Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	23.00	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.37	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	28.63	Simple	ACUITE BBB- Negative Assigned
SVC Co-Op Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB- Negative Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Oct 2030	7.00	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Nov 2032	25.00	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	03 Nov 2031	7.50	Simple	ACUITE BBB- Negative Reaffirmed Stable to Negative

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Nidhi Gala Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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