

Press Release

Ramson & Bros.

April 06, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1	Long Term Fund Based Facility – Cash Credit	27.00	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Re-affirmed
Total		27.00		

Details of Facilities are in Annexure I

Detailed Rationale

The rating affirmation continues to derive strength from Experienced promoters, Established relationship with UB group, Diversified clientele, Steady growth in revenue, Stable profitability leading to better scope of business, Moderate capital structure and debt protection metrics. However, these strengths are, partially offset by Prices controlled by manufacturers, Exposure to regulatory changes, Withdrawal from the partners' capital and Competition from established brands.

Key Rating Sensitivities

- **Upward rating factor(s)** – Substantial improvement in revenue and/or profitability margins leading to sustained improvement in debt coverage indicators may lead to a positive rating action
- **Downward rating factor(s)** - Any deterioration in revenue and/or profitability margin leading to deterioration in debt coverage indicators may lead to a negative rating action

List of key rating drivers with detailed description

Key Rating Strengths

Experienced promoters

The promoters of Ramson and Bros (RB) have a long track record of more than four decades in the beer and liquor trading segment. Initially they were engaged in the distribution of beer of United Breweries Limited and IMFL brands of United Spirits Limited through Tulsi Trading Corporation (TTC). The business was originally started by Mr. Somjimal Fatnani, father of Mr. Ram Fatnani, in 1972. FY16 onwards, the business was split between RB and TTC.

Mr. Ram Fatnani is actively associated with the business. He is well supported by his son, Mr. Bunty Fatnani for more than two decades.

Established relationship with UB group

The firm has an established relationship with United Breweries Limited and United Spirits Limited and is the main distributor of their products in its area of operation i.e., Raigad district. Both these suppliers together control 65-70% of market share in the liquor industry.

Diversified clientele

As the firm is into trading business of beer and IMFL, it caters to many small wine and beer shops and clubs in Raigad district. The top 10 customers of the company accounted for 23.24% of total operating income in 2019 indicating a highly diversified customer base.

Steady growth in revenue

The company's topline increased to Rs. 253.21 crore in FY19 from Rs. 220.84 crore in FY18 and Rs.203.16 crore in FY17. The total revenue grew at a CAGR of 11.64% since FY17. The management had informed that there is marginal decline in revenue in FY20.

Stable profitability leading to better scope of business

The EBITDA margin and PAT Margin were 2.45% and 1.90% respectively in FY 19 as compared to 2.49% and 1.64% respectively in FY 18.

Moderate capital structure and debt protection metrics

The company has a moderate capital structure marked by an overall gearing ratio of 0.66x as on March 31, 2019 (1.41x on March 31, 2018). In FY19 long term debt to EBITDA were

comfortable at 0.01x. The Interest coverage ratio was comfortable at 4.72x as on 31st March, 2019.

Key Rating Weaknesses

Prices controlled by manufacturers

The firm does not have any control over the pricing of the products that it distributes. The prices are closely controlled by the manufacturers, UB and USL. Hence, RB has limited flexibility in terms of pricing and consequently the margins earned by the firm are restricted to that extent.

Exposure to regulatory changes

Ramson & Bros, like other players in the liquor business, remains exposed to changes in the legal and regulatory environment such as close monitoring of sales, revision of tax rates, ban on liquor sales, etc.

Withdrawal from the partners' capital

There is very less restriction on the partners as regards to withdrawal of capital from the business. They may do so at any time and to any extent. Any withdrawals from the capital account is a key monitorable for the rating of the entity.

Competition from established brands

The firm is exposed to the risk of losing market share to brands that are competing against the brands of UB group. However, the prime position of the UB group brands in the market provides comfort.

Analytical Approach & Applicable Criteria

Standalone Approach

Rating Methodology for Trading Entities

Financial Ratios & Interpretation (Non - Financial Sector)

Liquidity

The firm does not have any term loans and the DSCR for FY19 has been adequate, while the projected DSCR also appears to be comfortable. Since, the entity is carrying on a trading business, the profitability margins are moderate but growing. However, the cash accruals are sufficient to ensure servicing of the interest outgo. The promoters are resourceful and can infuse capital if required. The average bank limits utilisation of the firm has been ~61.41%. The overall liquidity of the company is **Adequate**.

About the Company

Ramsons and Bros (RB) was formed in 2014 as a partnership firm, though it began commercial operations from FY16. The firm was led by Partners, Mr. Ramchand Fatnani, Mr. Bhagwan Fatnani, Mr. Shanker Fatnani and Mr. Bunty Fatnani. The firm is engaged in the distribution of beer of United Breweries Limited (UBL) and IMFL brands of United Spirits Limited (USL) in Raigad district. Prior to forming RB, they were carrying on the business of distributorship via the firm Tulsi Trading Corporation (TTC) for Thane and Raigad District. The offices are located at Ulhasnagar and Thane and a warehouse on lease at Adivali village in Raigad, Maharashtra. The offices of the firm are located at Ulhasnagar and Thane and a warehouse on lease at Adivali village in Raigad, Maharashtra. The firm has been reconstituted as on January, 2019 and the present partners of the firm are Mr. Ram Fatnani and Mr. Bunty Fatnani.

Financials Standalone

(INR crores)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	220.84	253.21
EBITDA	5.51	6.21
PAT	3.62	4.82
Total Debt	16.72	10.41
Tangible Networth	11.55	15.81
EBITDA Margin (%)	2.49	2.45
PAT Margin (%)	1.64	1.90
Overall Gearing Ratio (x)	1.41	0.66

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount sanctioned/outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Long Term Fund Based Facility - Cash Credit	Long Term	27.00	IVR BBB-/ Stable outlook	IVR BBB- / Stable (May 03, 2019)		--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	--	--	--	27.00	IVR BBB- /Stable Outlook