

**Press Release****Ramson and Bros (RB)****May 3, 2019****Rating**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Rating</b>	<b>Rating Action</b>
Long Term Fund Based Facility – Cash Credit	27.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
<b>Total</b>	<b>27.00</b>		

**Details of Facilities are in Annexure I****Detailed Rationale**

The rating of Ramson and Bros (RB) derives comfort from the experienced promoters, established relationship with UB group, moderately diversified clientele, steady growth in revenue and moderate capital structure and debt protection matrix. The rating also takes into consideration the low profitability, prices controlled by manufacturers, exposure to regulatory changes, risk of withdrawal from the partners' capital and competition from established brands. Profitability, maintaining debt metrics, efficient working capital utilisation and regulatory changes affecting the alcobev business are the key rating sensitivities.

**Detailed Description of the Key Rating Drivers****Key Rating Strengths****Experienced promoter**

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., Thane district. Both these suppliers together control 65-70% of market share in the liquor industry.

## **Moderately diversified clientele**

The firm has diversified client base. As the firm is into trading business of beer and IMFL, it caters to many small wine and beers shops and clubs in Raigad district. The top 10 customers of the company accounted for 42.70% of total sales in 2018.

## **Steady growth in revenue**

The company's topline increased to Rs. 220.84 crore in FY18 from Rs. 203.16 crore in FY17 and Rs.108.75 crore in FY16. The total revenue grew at a CAGR of 42.50% since FY16.

## **Moderate capital structure and debt protection matrix**

The company has a moderate capital structure marked by an overall gearing ratio of 1.47x as on March 31, 2018 (1.86x on March 31, 2017), which has improved to 1.02x as on December 31, 2018 (provisional). Interest coverage ratio was comfortable at 3.09x for FY18.

## **Key Rating Weaknesses**

### **Low profitability**

The profitability ratios of the firm are low with an EBITDA margin of 2.49% and a PAT margin of 1.64% for FY18. They have been in the same range since the firm began commercial operations in FY16.

### **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, TTC 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.

### **Risk of withdrawal from the partners' capital**

There is no restriction on the partners as regards 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 Companies
- Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity**

The firm does not have any term loan obligations. Since, the entity is carrying on a trading business, the profitability margins are moderate. However, the cash accruals are sufficient to ensure servicing of the interest outgo. The promoters are resourceful and can infuse capital if required.

### **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. Buntty 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.

### **Financials (Standalone)**

**(Rs. crore)**

<b>For the year ended/ As On</b>	<b>31-03-2017 (Audited)</b>	<b>31-03-2018 (Audited)</b>
Total Operating Income	203.2	220.8
EBITDA	5.1	5.5

PAT	3.6	3.6
Total Debt	19.3	17.0
Tangible Net worth	10.4	11.5
<b>Ratios</b>		
EBITDA Margin (%)	2.5	2.5
PAT Margin (%)	1.8	1.6
Gearing Ratio (x)	1.9	1.5

Note: Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Acuite Ratings (erstwhile SMERA) has moved the rating of RB to the 'ISSUER NOT COOPERATING' category due to non-submission of information required for conducting the review / surveillance of the rating as per Press Release dated March 19, 2019.

**Any other information:** Not applicable

**Rating History for last three years:**

Sl. No.	Name of Instrument /Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1	Long Term Fund Based Facility – Cash Credit	Long Term	27.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	--	--	--

**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](http://www.infomerics.com).

**Name and Contact Details of the Rating Analyst:**

Name: Mr. Sriram Rajagopalan

Tel: (022) 62396023

Email: [srajagopalan@infomerics.com](mailto:srajagopalan@infomerics.com)

**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 Facility	--	9.05%	--	27.00	IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook)