



Press Release

Ramson & Bros

October 04, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u> (Simple/ Complex/ Highly complex)
Long Term Bank Facilities	27.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed and removed from Credit watch	Simple
Total	27.00 (Rupees Twenty seven Crores only)			

Details of Facilities are in Annexure 1

Rating Action

The firm has been removed from Credit Watch with Developing Implications on account of significant improvement in the turnover and profitability of the firm as per FY22 Prov. financial results.

Detailed Rationale

The current rating continues to derive strength from Experienced promoter, Established relationship with UB group, Diversified clientele, Improved profitability leading to better scope of business, Moderate financial risk profile. However, the rating strengths are constrained 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

Substantial improvement in revenue and/or profitability margins leading to sustained improvement in debt coverage indicators may lead to a positive rating action.



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Downward rating factor

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 several small wine and beer shops and clubs in Raigad district and has a monopolistic position in the said region. The top 5 customers of the company accounted for ~13% of total operating income in 2022 Prov. indicating a highly diversified customer base.



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Improved profitability leading to better scope of business

Despite of the COVID-19 pandemic and its lockdown scenario in the country, the firm maintained a PAT Margin of 0.59% in FY21 (Provisional), as against that of 0.58% in FY20 and 0.56% in FY19. This was majorly owing to reduced interest expenses resulting from restricted use of working capital limits in FY21. This proves that the firm has the ability to maintain profitability in stressful times.

Moderate financial risk profile

The firm's Total Operating Income improved marginally by ~3% from Rs. 187.58 Cr. in FY21 to Rs. 194.24 Cr. FY22 (P) owing to release of restriction during COVID-19 pandemic. Absolute EBITDA and PAT have improved in past two years and stood at Rs. 3.88 Cr. and Rs. 3.70 Cr. as against Rs. 2.68 Cr. and 1.32 Cr. in FY20. Subsequently, the EBITDA margin remained in similar range though in improving trend. The debt of the company is mainly comprising of working capital limits. The firm has a moderate capital structure marked by an overall gearing ratio improved from 0.35x in FY21 to 0.20x in FY22 Prov. The TOL/Net Adjusted TNW is low at 0.58x in FY22 Prov. And has been on an improving trend over the years as compared to 2.30x in FY18. The interest coverage ratio stood healthy at 29.51x in FY22 Prov. along with DSCR remaining in comfortable at 30.19 in FY22 Prov. as a result of lower financing costs and improved profitability in past two years.

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, United Breweries and United Spirits. Hence, RB has limited flexibility in terms of pricing and consequently the margins earned by the firm are restricted to that extent.



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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: Standalone Approach

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity –Adequate

The firm does not have any long-term debt and the projected DSCR also appears to be comfortable. 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 ~20%. The overall liquidity of the company is Adequate.



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About the Firm:

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):

For the year ended/ As on*	31-03-2021 (Audited)	31-03-2022 (Provisional)
Total Income	187.58	194.24
PAT	3.61	3.70
Total Debt	6.67	3.89
Tangible Net Worth	19.15	19.62
PAT margin (%)	1.92	1.90
Overall Gearing Ratio (x)	0.35	0.20

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (July 05, 2021)	Date(s) & Rating(s) assigned in 2020-21 (April 06, 2020)	Date(s) & Rating(s) assigned in 2019-20 (May 03, 2019)
1.	Cash Credit	Long term	27.00	IVR BBB- / Stable Outlook	IVR BBB-; Credit Watch with Developing Implications	IVR BBB- / Stable Outlook	IVR BBB-/ Stable Outlook

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com



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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	-	-	Revolving	27.00	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Ramson-Bros-oct22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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