



Press Release

M/s. Tulsi Trading Corporation
November 24, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple/ Complex/ Highly complex)
Long term bank facilities – GECL 1	1.39	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Assigned	Simple
Long term bank facilities – GECL 1.0 Extension	1.31	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Assigned	Simple
Long term bank facility – Cash Credit	30.00 (Enhanced from 26.00)	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Reaffirmed	Simple
Long term bank facilities – Proposed Cash Credit	8.00	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Assigned	Simple
Total	40.70 (Enhanced from 26.00)			

Details of Facilities are in Annexure 1

Detailed Rationale

The current rating continues to derive strength from Experienced promoter, Established relationship with UB group, Diversified clientele and 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:



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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 promoter

The promoters of Tulsi Trading Corporation (TTC) 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. Shanker Fatnani and Mr. Bhagwan Fatnani are actively associated with the business having an experience of 3 decades now.

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.

Diversified clientele

The firm has a diversified client base. As the firm is into trading business of beer and IMFL, it caters to many small wine and beer shops and clubs in Thane district. The top 5 customers of the company accounted for 8% of total sales in 2022 indicating a diversified customer base. Also, the firm has expanded its coverage of distributorship to new geographies in Thane district.

Moderate financial risk profile



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The debt of the company is mainly comprising of working capital limits and GECL loans. Therefore, the long-term debt to equity ratio stood at 0.18x in FY23 as against 0.25x in FY22. The overall gearing ratio improved stood in similar lines as that of previous years at 1.67x in FY23. Mainly elevated due to the higher closing balance of cash credit as on March 31, 2023. The TOL/TNW is moderate at 2.19x in in FY23 as against 1.82x in FY22 mainly elevated due to the higher closing balance of cash credit as on March 31, 2023.

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, 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

TTC, 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 no 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



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Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria of Rating Outlook | Infomerics Ratings](#)

Liquidity –Adequate

The firm has GECL loans for which the repayment has started in the current year and Cash credit facilities and the projected DSCR also appears to be comfortable. The cash accruals are sufficient to ensure servicing of the debt obligations. The promoters are resourceful and can infuse capital if required. The average CC limit utilisation of the firm has been ~75%. The overall liquidity of the company is Adequate.

About the firm:

Tulsi Trading Corporation (TTC) was incorporated in 1987 as a proprietorship firm. The firm is led by Fatnani family - Mr. Ramchand Fatnani, Mr. Bhagwan Fatnani, Mr. Shanker Fatnani. TTC is engaged in the distribution of beer of United Breweries Limited (UBL) and IMFL brands of United Spirits Limited (USL).

Financials (Standalone):

For the year ended/ As on*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Income	212.68	258.58
PAT	2.33	2.39
Total Debt	20.24	26.26
Tangible Net Worth	14.66	15.73
PAT margin (%)	1.09	0.92
Overall Gearing Ratio (x)	1.38	1.67

* 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 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (October 04, 2022)	Date(s) & Rating(s) assigned in 2021-22 (July 05, 2021)	Date(s) & Rating(s) assigned in 2020-21 (April 06, 2020)
1.	Cash Credit	Long Term	30.00	IVR BBB-/ Stable Outlook	IVR BBB-/ Stable Outlook	IVR BBB-; Credit Watch with Developin g Implication s	IVR BBB-/ Stable Outlook
2.	GECL 1	Long Term	1.39	IVR BBB-/ Stable Outlook	-	-	-
3.	GECL 1.0 Extension	Long Term	1.31	IVR BBB-/ Stable Outlook	-	-	-
4.	Proposed Cash Credit	Long Term	8.00	IVR BBB-/ Stable Outlook	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics



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commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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
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Cash Credit	-	-	Revolving	30.00	IVR BBB-/ Stable Outlook
GECL 1	-	-	November 2024	1.39	IVR BBB-/ Stable Outlook
GECL 1.0 Extension	-	-	November 2026	1.31	IVR BBB-/ Stable Outlook
Proposed Cash Credit	-	-	-	8.00	IVR BBB-/ Stable Outlook

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Tulsi-nov23.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