



Press Release

M/s. Tulsi Trading Corporation

October 04, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u> (Simple/ Complex/ Highly complex)
Long Term Bank Facilities	26.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed and removed from Credit watch	Simple
Total	26.00 (Rupees Twenty-Six 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 and Moderate financial risk profile. However, the rating strengths are constrained by Wafer thin profit margins, 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.



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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

The firm's Total Operating Income improved from INR 133.23 Cr. in FY21 to Rs. 212.45 Crore in FY22. This was due to the release of restriction during COVID-19 pandemic. The TOI in FY21 had declined due to the COVID-19 pandemic disruption in sales and distribution of beer & IMFL. EBITDA margin improved marginally to 1.95% in FY22 (P), from 1.64% in FY21 and subsequently, the PAT Margin for FY22 (P) improved to 1.08% as a result of improved operational profits. The debt of the company is mainly comprising of working capital limits and GECL loans availed in 2020. The overall gearing ratio improved and stood in



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similar lines as that of previous years at 1.43x in FY22 Prov. As a result of improved profitability the interest coverage ratio stood comfortable at 2.22x in FY22 Prov. as compared to that of 1.05x in FY21. The TOL/TNW is moderate at 1.87x in FY22 Prov as against 1.41x in FY21 mainly elevated due to the higher closing balance of cash credit as on March 31, 2022. The debt protection metrics stood moderate with DSCR above unity over the past years and at 2.28x in FY22 Prov.

Key Rating Weaknesses

Wafer thin profit margins

The profitability ratios of the firm are low with an EBITDA margin range bound to 1.5% over the past few years and stood at 1.95% in FY22 Prov. The PAT margin was on an average of 0.65% for past three years and stood at 1.08% in FY22 Prov.

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.



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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 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 ~71%. 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).



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Financials (Standalone):

For the year ended/ As on*	31-03-2021 (Audited)	31-03-2022 (Provisional)
Total Income	133.23	212.45
PAT	0.00	2.30
Total Debt	12.89	20.30
Tangible Net Worth	13.72	13.92
PAT margin (%)	0.00	1.08
Overall Gearing Ratio (x)	0.93	1.43

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: NIL

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	26.00	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

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	-	-	Revolvin g	26.00	IVR BBB-/ Stable Outlook

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



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Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Tulsi-Trading-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

