



Press Release

M/s. Tulsi Trading corporation

December 23, 2024

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities- Cash Credit	38.00	IVR BBB-/Stable (IVR Triple B with stable outlook)	IVR BBB-/Stable (IVR Triple B with stable outlook)	Reaffirmed	Simple
Long Term Bank Facilities- GECL	0.88	IVR BBB-/Stable (IVR Triple B with stable outlook)	IVR BBB-/Stable (IVR Triple B with stable outlook)	Reaffirmed	Simple
Total	38.88 (Rupees Thirty-Eight crore and eighty eight lakhs only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the Bank facilities of Tulsi trading corporation (TTC). The ratings continue to derive comfort from experienced promoters in the liquor trading industry, moderate financial risk profile, diverse customers and longstanding relationship with the UB group. However, these rating strengths remain constrained by modest profitability and thin profit margins, intense competition from distributors of other liquor manufacturing principals, presence in the highly regulated liquor industry and geographical concentration risk.

The stable outlook has been assigned due to steadily increasing revenue and profitability.



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Key Rating Sensitivities:

Upward Factors

- Substantial growth in scale with improvement in profitability margins.
- Significant improvement in debt protection parameters and liquidity position of the firm.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators on a sustained basis
- Any deterioration in its liquidity profile with elongation in operating cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters in the liquor trading industry

The promoters of Tulsi Trading Corporation (TTC) have a long track record of more than four decades in the beer and liquor trading segment. The business was originally started by Mr. Somjimal Fatnani, father of Mr. Ram Fatnani, in 1972. FY16 onwards, the business was split between Ramson and Bros and TTC. Mr. Shanker Fatnani and Mr. Bhagwan Fatnani are actively associated with the business having an experience of more than 3 decades now. However, constitution of the entity as partnership firm limits the credit profile to some extent.

Moderate financial risk profile

The debt of the firm mainly comprises of working capital limits. Overall gearing ratio improved from 1.67x as on 31st March 2023 to 1.52x as on 31st March 2024 because of the increase in Adjusted Tangible Networth of the firm from Rs 15.73 crore as on 31st March 2023 to Rs 24.45 as on 31st March 2024. TOL/ATNW stood moderate at 2.13x as on 31st March 2024 as against 2.19x as on 31st March 2023.



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Diverse customers

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 firm accounted for 7.51% of total sales in 2024 indicating a diversified customer base. Also, the firm has expanded its coverage of distributorship to new geographies in Thane district.

Longstanding relationship with UB group

The firm has a strong partnership with United Breweries Limited and United Spirits Limited, serving as the primary distributor for their products in the Thane district. Together, these suppliers hold a dominant market share of 65-70% in the liquor industry.

Key Rating Weaknesses

Modest profitability and thin profit margins

The firm's profitability ratios remain low. While its PAT increased from Rs 2.21 crore in FY23 (April 1, 2022, to 31st March 2023) to Rs 3.99 crore in FY24 (April 1, 2023, to 31st March 2024), it remains modest. The EBITDA margin has remained relatively stable at around 1.5% over the past few years, reaching 1.63% in FY24. The PAT margin has averaged 0.97% over the last three years and stood at 0.98% in FY24. Furthermore, cash flow from operations continued to remain negative due to increased working requirements in FY24.

Intense competition from distributors of other liquor manufacturing principals

The firm faces intense competition from distributors of other liquor manufacturing principals and there is the risk of losing market share to competitors offering brands that rival those of the UB group. However, the strong market position of UB group brands offers some reassurance.

Presence in the highly regulated liquor industry



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Liquor is a state subject and hence, each state formulates its own policies and there are no uniform nation-wide laws governing the sector. It 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.

Geographical concentration risk

The firm faces geographical concentration risk as it generates its entire revenue from the state of Maharashtra. Hence, it is exposed to the risk of any reduction in revenues due to change in consumption habits, launch of competition offerings by other liquor manufacturers or loss of distributorship.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The firm has mainly Cash credit facilities and marginal GECL. 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 for the last 12 months ended October 2024 has been 79%. The overall liquidity of the firm is adequate.



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About the Firm

Tulsi Trading Corporation (TTC), located in Ulhasnagar, Maharashtra was incorporated in 1987, as a proprietorship firm and was reconstituted as a partnership firm in 2018. The firm is led by Fatnani family - Mr. Bhagwan Fatnani and Mr. Shanker Fatnani. TTC is engaged in the distribution of beer of United Breweries Limited (UBL) and IMFL brands of United Spirits Limited (USL). They mainly serve in Maharashtra in the region of western thane and Navi Mumbai.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	258.58	407.60
EBITDA	3.90	6.63
PAT	2.21	3.99
Total Debt	26.26	37.19
^Tangible Net Worth	15.73	24.45
EBITDA Margin (%)	1.51	1.63
PAT Margin (%)	0.85	0.98
Overall Gearing Ratio (x)	1.67	1.52
Interest Coverage (x)	2.42	2.82

* Classification as per Infomerics' standards.

^Adjusted tangible network

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in (2023-24)	Date(s) & Rating(s) assigned in (2022-23)	Date(s) & Rating(s) assigned in in (2021-22)
					Date (November 24, 2023)	Date (October 04, 2022)	Date (July 05, 2021)
					Rating	Rating	Rating
1.	Cash Credit	Long Term	38.00 (Increased from 30)	IVR BBB-/ Stable Outlook (IVR Triple B minus with stable outlook)	IVR BBB-/ Stable Outlook (IVR Triple B minus with stable outlook)	IVR BBB-/ Stable Outlook (IVR Triple B minus with stable outlook)	IVR BBB-; Credit Watch with Developing Implications (IVR Triple B minus Credit Watch with Developing Implications)
2.	GECL 1	Long Term	0.00 (reduced from 1.39)	-	IVR BBB-/ Stable Outlook (IVR Triple B minus with stable outlook)	IVR BBB-/ Stable Outlook (IVR Triple B minus with stable outlook)	



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					Date (November 24, 2023)	Date (October 04, 2022)	Date (July 05, 2021)
3.	GECL 1.0 Extension	Long Term	0.88 (reduced from 1.31)	IVR BBB-/ Stable Outlook (IVR Triple B minus with stable outlook)	VR BBB-/ Stable Outlook (IVR Triple B minus with stable outlook)	IVR BBB-/ Stable Outlook (IVR Triple B minus with stable outlook)	
4.	Proposed Cash credit	Long Term	0.00 (reduced from 8)	-	IVR BBB-/ Stable Outlook (IVR Triple B minus with stable outlook)	IVR BBB-/ Stable Outlook (IVR Triple B minus with 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 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.

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Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	38.00	IVR BBB-/ Stable (IVR Triple B minus with stable outlook)
GECL	-	-	-	November 2026	0.88	IVR BBB-/ Stable (IVR Triple B minus with stable outlook)

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-TulsiTrading-dec24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.