



Press Release

Tulsi Trading Corporation (TTC)

July 05, 2021

Rating

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long term Bank Facilities – Cash Credit	24.00	IVR BBB-; Credit Watch with Developing Implications (IVR Triple B Minus; Credit Watch with Developing Implications)	Rating re-affirmed and continues to be under credit watch with developing implications
Total	24.00 (Twenty Four Crore)		

Details of Facilities are in Annexure I

Rating Action

The firm has been put under the category of Credit Watch with Developing Implications mainly on account of Impact of COVID-19 induced lockdown resulting in decline in its FY2021 (provisional) revenues. Infomerics shall closely monitor the financial performance of the firm.

Detailed Rationale

The current rating continues to derive strength from experienced promoters, established relationship with UB group, diversified clientele and moderate capital structure and debt protection metrics. However, the rating strengths are partially offset by decline in topline due to COVID-19 pandemic, low profitability, 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

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 10 customers of the company accounted for 26.42% of total sales in 2020 indicating a diversified customer base.

Moderate capital structure and debt protection matrix



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The firm has a moderate capital structure marked by an overall gearing ratio of 0.76x as on 31st March, 2021 (provisional) as against that of 1.50x as on March 31, 2020. The TOL/Adjusted TNW is 1.09x as on closing of FY21 (P). The long-term debt to equity as on 31st March, 2021 (P) was comfortable at 0.15x. The Interest coverage ratio was comfortable at 1.42x as on 31st March, 2021 (P).

Key Rating Weaknesses

Decline in Topline due to COVID-19 Pandemic

The firm faced a decline in Total Operating Income from INR 201.46 Crore in FY20 to INR 133.30 Crore in FY21 (Provisional). This was majorly due to the COVID-19 pandemic induced lockdown scenario in the country which resulted in disrupted operations of the firm. However, this is expected to be a temporary phase for the firm and it projects for better revenue growth in the future.

Low profitability

The profitability ratios of the firm are low with an EBITDA margin of 1.56% and a PAT margin of 0.39% for FY21 (P). They have come down in FY21 as compared to the previous years mainly owing to the COVID-19 pandemic induced lockdown in the country.

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



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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

Applicable Criteria

Rating Methodology for Trading Entities

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The firm does not have any major 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 ~50.86%. The overall liquidity of the company is **Adequate**.

About the Company

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 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). Effective December 31, 2018, TTC was reconstituted in to a partnership firm, with two partners in Mr. Bhagwan Fatnani and Mr. Shankar Fatnani, who are Mr. Ram Fatnani's cousins. For selected brands of UBL's beer, the firm has distributorship rights for Ulhasnagar and Navi Mumbai (Airoli to Belapur). For USL's IMFL, TTC has distributorship rights for Dombivili and Kalyan. The offices of the firm are located at Ulhasnagar and Thane and warehouses at Kongoan (Kalyan), Maharashtra.



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Financials (Standalone):

(INR Crore)

For the year ended* / As on	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	236.95	201.46
EBITDA	4.32	2.99
PAT	2.06	0.34
Total Debt	17.41	20.52
Tangible Net worth (Book Value)	10.37	11.23
EBIDTA Margin (%)	1.82	1.48
PAT Margin (%)	0.87	0.17
Overall Gearing Ratio (x)	1.13	1.50

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (April 06, 2020)	Date(s) & Rating(s) assigned in 2019-20 (May 03, 2019)	Date(s) & Rating(s) assigned in 2018-19
1.	Long term Bank Facilities – Cash Credit	Long Term	24.00	IVR BBB-; Credit Watch with Developing Implications	IVR BBB-; Credit Watch with Developing Implications	IVR BBB-/ 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.

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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



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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 I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long term Bank Facilities – Cash Credit	--	--	--	24.00	IVR BBB-; Credit Watch with Developing Implications (IVR Triple B Minus; Credit Watch with Developing Implications)