

**Trineas Commerce Private limited**  
**March 26, 2020**

**Ratings**

Facilities*	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term/Short term Bank Facilities	18.00	<b>CARE BBB- (CE); Stable/ CARE A3 (CE)</b> [Triple B Minus (Credit Enhancement); <b>Outlook: Stable/ A Three (Credit Enhancement)</b> ]	<b>Reaffirmed</b>
Short-term Bank Facilities- Bank Guarantee	0.00 (reduced from 2.0)	-	<b>Withdrawn</b>
<b>Total<sup>@</sup></b>	<b>18.00</b> <b>(Rupees Eighteen Crore only)</b>		

\*Details of facilities in Annexure-1

@backed by unconditional & irrevocable corporate guarantee of Essencia Beverages Private Limited (EBPL, rated: CARE BBB-; Stable/CARE A3) for the debt servicing obligation of the entire bank facilities.

<b>Unsupported Rating<sup>2</sup></b>	<b>CARE BB/CARE A4 (Double B / A Four)</b>
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Note: Unsupported Rating does not factor in the explicit credit enhancement

**Detailed Rationale & Key Rating Drivers for the credit enhanced bank facilities**

The rating assigned to bank facilities of Trineas Commerce Private Limited (TCPL) is based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee from Essencia Beverages Private Limited (EBPL), for the entire debt servicing obligation. EBPL is engaged in bottling of India Made Foreign Liquor (IMFL) for United Spirits Limited and manufacturing of India Made Indian Liquor (IMIL) under own brand.

**Detailed Rationale & Key Rating Drivers of Essencia Beverages Private Limited (EBPL, CG provider)**

The ratings assigned to the bank facilities of Essencia Beverages Private Limited (EBPL) derives comfort from the experience of the promoters of Transways Group and their long track record of operation, group's growing presence in the Country Liquor (CL) segment, experience in bottling for large Indian Made Foreign Liquor (IMFL) player, high entry barrier in the alcohol industry, established market presence of the principal in the cigarettes and FMCG business segment, relatively stable financial performance of the group in FY19 (refers to the period April 1 to March 31) and satisfactory debt coverage indicators.

The ratings are however, constrained due to small scale of operation, volatility in the raw material prices with limited pricing power, exposure to the group company in the form of corporate guarantee and highly regulated nature of Alcohol industry.

**Detailed Rationale & Key Rating Drivers of Trineas Commerce Private Limited (TCPL, for unsupported rating)**

The rating assigned to the bank facilities of Trineas Commerce Private Limited (TCPL) is constrained by small scale of operation, low profitability margins due to trading nature of business and moderate financial risk profile. The ratings however derive strength from resourceful promoters with long track record of operation, strong market presence of the principal in the telecom sector and satisfactory financial performance in FY19 (refer to the period from April 01 to March 31).

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

<sup>2</sup> As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).

**Rating Sensitivities (EBPL)****Positive Sensitivity:**

- *The ability of the group to improve its scale of operation and operating profitability beyond 5% on sustained basis*

**Negative Sensitivity:**

- *Any un-envisaged debt funded capital expenditure deteriorating its capital structure and debt coverage indicators from current levels.*
- *Adverse regulatory changes having significant impact on the operations of the company/group*

**Detailed description of the key rating drivers of Essencia Beverages Private Limited (EBPL, CG provider)****Key Rating strengths****Experienced promoter with long track record of operations**

Transways group has been promoted by Mr. Sunil Agarwal and Mr. Shekhar Agarwal (brothers) along with their friend Mr. Anup Killa, hailed from Kolkata, West Bengal. The promoters are engaged in manufacturing of country liquor, bottling of IMFL, distribution of mobile handsets in West Bengal through various companies. They have an experience of about one and half decades in the manufacturing, bottling and distribution of alcohol and allied products.

**Group's growing presence in the Country Liquor (CL) segment**

Transways group is in the business of CL through one of its group entity viz. Alpha Malts Private Limited (AMPL) with installed capacity of four (4) lakh cases per month. Over the years AMPL is gradually increasing the production of CL. AMPL has accounted for a production of around thirty (30) lakh cases in FY19 (P.Y. 28 lakh cases) thereby utilizing ~72% of its installed capacity. Further in 9MFY20, AMPL has produced around twenty-five (25) lakh cases.

**Experience in bottling for large Indian Made Foreign Liquor (IMFL) player**

Transways group through its group entity viz. Essencia Beverages Private Limited (EBPL) is in the business of bottling of IMFL for brands owned by United Spirits Limited. EBPL has accounted for a production of around twenty (20) lakh cases in FY19 (P.Y. 19 lakh cases) which represents ~70% of its installed capacity. Further in 9MFY20 (provisional), EBPL has bottled around sixteen (16) lakh cases.

**High entry barriers in alcohol industry**

Liquor policies governing production and sale of liquor are entirely controlled by the respective state governments. With all the alcohol consuming states/union territories having their own regulations, tax structures and entry-exit restrictions, it is very difficult for new entrants to get licenses; thus, providing a competitive advantage to the existing players.

**Established market presence of the principal in the cigarettes and FMCG business segment**

Transways group through its group entity viz. Transways Exim Private Limited (TEPL) is into distributorship business of cigarettes and FMCG goods of ITC Group. TEPL derives around 67% of its revenue in FY19 and around 80% of its revenue in 9MFY20 (Provisional) from the distributorship business segment. Nevertheless, on combined basis, distributorship segment contributed less than 8% in FY19 and 9MFY20 (Provisional).

**Relatively stable financial performance of the group in FY19 and satisfactory debt coverage indicators**

The total operating income declined by 35% to Rs. 336.95 crore in FY19 from Rs.518.21 crore in FY18 mainly due to change in the accounting treatment post takeover of alcohol distribution by the Government of West Bengal in January 2018. However, on absolute level, PBILDT remained in line with FY18 at Rs.12.18 crore in FY19 vis-à-vis Rs.11.86 crore in FY18. Stable PBILDT led to satisfactory interest coverage ratio at 4.04x in FY19 (4.36x in FY18). The group reported GCA of Rs.7.94 crore as against term debt repayment of Rs.3.07 crore in FY19. In 9MFY20, the Transways group has reported net sales of Rs.272.98 core (prov.) crore on a combined basis.

The financial risk profile of the group improved in FY19 marked by improvement in gearing and TD/GCA. Overall gearing ratio improved to 0.79x as on March 31, 2019 from 0.90x as on March 31, 2018 mainly due to repayment of long term debt (including term loans from banks and unsecured loan). Also, Total Debt/ GCA improved marginally to 5.45x in FY19 as against 5.89x in FY18.

**Key Rating Weaknesses****Volatility in the raw material prices with limited pricing power**

The raw material accounts for 70% of total cost of sales in FY19. EBPL procure the raw materials like ENA, glass bottles, packing materials, etc. from the market at spot rates, the prices of which are volatile in nature. Any upward movement in the raw materials may adversely affect the profitability of EBPL as the finished goods prices are controlled by the government/ market forces.

**Exposure to group company in the form of corporate guarantee**

EBPL had extended corporate guarantee to Trineas Commerce Private Limited (TCPL) for its bank facilities of cash credit to the tune of Rs.18 crore which is around 32.5% of the group net worth. However, the risk of exposure to TCPL moderates to some extent on account of the fact that TCPL is a profitable entity with gross cash accruals (GCA) of Rs.0.30 crore against nil debt repayment obligations in FY19.

**Highly regulated nature of alcohol industry**

Liquor industry is highly regulated in India with each state controlling the production, sales and duty structure independently including control on pricing. Beside this, there is a ban on all forms of direct and indirect advertising for liquor in the country, leading to market players resorting to surrogate advertising. Moreover, the complexity of the industry further lies in the different types of distribution models followed in various states like government-controlled agencies, private distribution system and auction. The uncertainty evolving around any regulatory norms make the industry vulnerable and profitability susceptible to any unforeseen changes. In the recent past, West Bengal State Beverages Corporation (BEVCO) has taken over the distributorship network of liquors/alcohol in the state of West Bengal since January-2018.

**Liquidity Position: Adequate**

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations (bank loan) and moderate cash balance of Rs.9.20Crore in FY19. Its bank limits (combined) are utilized to the extent of 60-

70% during last 12 months ending Nov-19, supported by above unity current ratio. Going forward, liquidity position of the group is expected to remain adequate as GCA is projected to remain satisfactory against nil term debt repayment obligations.

### **Industry Outlook**

#### *Alcoholic Beverages: Stable*

India has a young demographic profile with a median age of 28 years and around 67% of the population is within the legal drinking age. These two indicators coupled with growing disposable incomes, increasing rural consumption, greater acceptance of social drinking and relatively lower per capita consumption, are all factors that make India one of top markets for spirit and offer significant growth opportunities for the industry.

#### *Retail: Stable*

The Indian retail industry has emerged as one of the most dynamic and fast-growing industries due to the entry of several new players in the recent times along with rising income levels, growing aspirations, favorable demographics and easy credit availability. Globally, India is fourth-largest global destination in the retail space after US, China and Japan. The industry has witnessed CAGR of over 10% during 2013 - 2018, close to double the growth witnessed during 2008 – 2013 period.

CARE expects the retail industry to register a growth rate of about 12-14% over the next 3 years and reach about USD 1,150 billion by 2021. With factors such as higher demand from consumers with higher incomes, job creations, improved standard of living, brand awareness, higher discretionary spends and higher participation of producers/retailers in the organized retail market, discounted and promotional pricing, increased number of products and more private labels with retailers among others, the industry is expected to register growth going forward.

### **Analytical approach: Guarantor's assessment**

Credit Enhancement in the form of unconditional and irrevocable corporate guarantee has been provided by Essencia Beverages Private Limited.

*CARE, while arriving at the ratings of EBPL, has combined the financials of EBPL with its two group companies viz. Alpha Malts Private Limited (AMPL) and Transways Exim Private Limited (TEPL) as all these companies would be amalgamated in accordance with NCLT order dated May 18, 2018. They are collectively referred to as Transways Group.*

### **Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy of Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology-Wholesale Trading](#)

[Financial ratios - Non Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Factoring Linkages in Ratings](#)

[Criteria for Rating Credit Enhanced Debt](#)

### About the Guarantor – Essencia Beverages Private Limited

**Essencia Beverages Private Limited (EBPL)** was incorporated in 2003 by three friends Mr. Anup Killa, Mr. Sunil Agarwal and Mr. Shekhar Agarwal based out of Kolkata. Currently, EBPL is engaged in bottling of IMFL (installed capacity of four lakh cases per month) under the brand name Royal Challengers, No.1 and Celebrations rum owned by United Spirits Ltd (USL: rated ICRA AA+; Stable/ICRA A1+ vide PR dated January 31, 2020). The company also bottles its own brands of IMIL products on a small scale namely Emboss and King Power.

Brief Financials (Rs. crore)- Combined	FY18 (A)	FY19 (A)
Total operating income	518.81	336.95
PBILDT	11.86	12.18
PAT	1.77	2.94
Overall gearing (times)	0.90	0.79
Interest coverage (times)	4.36	4.04

A: Audited

### About the Company – Trineas Commerce Private Limited

Trineas Commerce Private Limited (TCPL) was incorporated in 1997 by Mr. Ram Autar Killa and Mr. Amar Agarwalla. TCPL is engaged as zonal distributor (channel distribution agent) of Reliance JIO 4G Smartphones and accessories in the vicinity of Central Kolkata, Alipore, Howrah, Hooghly, Naihati, Kasba, Barasat, Chandannagar and Kamalgachi.

TCPL is a part of Kolkata based Transways group having business interest in the liquor manufacturing and distribution. The group is also associated in distribution of Jio mobiles and accessories through TCPL.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	72.69	69.36
PBILDT	0.86	1.09
PAT	0.20	0.26
Overall gearing (times)	1.33	2.69
Interest coverage (times)	1.87	1.69

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	18.00	CARE BBB- (CE); Stable / CARE A3 (CE)
Non-fund-based - ST-Bank Guarantees	-	-	-	0.00	Withdrawn
Un Supported Rating-	-	-	-	0.00	CARE BB / CARE A4

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Un Supported Rating (LT/ST)					

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	18.00	CARE BBB- (CE); Stable / CARE A3 (CE)	-	1)CARE BBB- (SO); Stable (03-Jan-19)	1)CARE BBB- (SO); Stable (15-Mar-18) 2)CARE BBB- (SO); Stable (09-Aug-17)	-
2.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	1)CARE A3 (SO) (03-Jan-19)	1)CARE A3 (SO) (15-Mar-18) 2)CARE A3 (SO) (09-Aug-17)	-
3.	Un Supported Rating-Un Supported Rating (LT/ST)	LT/ST	0.00	CARE BB / CARE A4	-	-	-	-

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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