

February 16, 2017

## Pittie Distributors India Private Limited (erstwhile Peetambara Distributors)

Instrument*	Rated Amount (Rs. in crore)	Rating Action
Fund-based Working Capital Facilities	25.00 (enhanced from Rs. 10.00 crore)	[ICRA]BB-(Stable) /upgraded from [ICRA]B+
<b>Total</b>	<b>25.00</b>	

\*Instrument details are provided in Annexure-1

### Rating action

ICRA has upgraded the long-term rating on the Rs. 25.00-crore (enhanced from Rs. 10.00-crore) fund-based working capital facility of Pittie Distributors India Private Limited (erstwhile Peetambara Distributors) (Pittie Distributors or the company) from [ICRA]B+ (pronounced ICRA B plus) to [ICRA]BB- (pronounced ICRA double B minus)<sup>1</sup>. The outlook on the long-term rating is 'Stable'.

### Rationale

The long-term rating upgrade takes into account the gain in the market share, supported by the growing popularity and launch of new products and additions to the sub-distributors and dealers network, leading to steady growth with a CAGR of 73% in OI over FY2013-16. ICRA also notes that the conversion to a private limited company mitigates risks inherent in the erstwhile proprietorship entity, following which the net worth position has improved from the previous levels. The rating continues to favourably factor in the experience of the promoters as well as the group's presence in varied business such as distribution, construction and media and draws comfort from the sole distribution rights for Patanjali Yogpeeth Ayurvedic products in the Greater Mumbai region.

The rating, however, is constrained by the thin margins owing to the distribution nature of the business along with the limited pricing flexibility as the procurement and the selling price is governed by the principal company. Though currently there is limited competition within the same brand in the Greater Mumbai region due to sole distribution rights, there could be a threat to exclusivity and possible reduction in the market share as PAL could aggressively market products through its own e-commerce portal or directly tie up with the retail chains. Further, Pittie Distributors also face competition from other established brands and large organised players in the FMCG segment. ICRA also takes note of the sharp rise and continuing high reliance on external borrowings to meet the working capital requirements in the light of the significant ramp up in the scale of operations.

### Key rating drivers

### Credit Strengths

- Experience of the directors in varied business such as construction, media and distribution
- Sole distribution rights for Patanjali Yogpeeth Ayurvedic products in the Greater Mumbai region
- Steady growth with a CAGR of 73% in OI over FY2013-16 supported by growing popularity and launch of new products and additions to the sub-distributors and dealers network
- Conversion to a private limited company mitigates risks inherent in the erstwhile proprietorship entity

<sup>1</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

### **Credit Weaknesses**

- Thin margins owing to distribution nature of business; pricing flexibility limited as the procurement price as well as the selling price is governed by the principal companies
- Competition from other established brands and large organised players in the FMCG segment; however, limited competition within the same brand in the geographic boundaries of greater Mumbai due to exclusive distribution rights
- High reliance on enhanced working capital borrowings to fund the increase in working capital requirements arising from robust revenue growth

### **Description of key rating drivers:**

In 2012, Peetambara Distributors entered into super distributor agreements for greater Mumbai with Divya Yog Mandir Trust (DYM), Patanjali Ayurveda Ltd. (PAL) and Divya Pharmacy (DP). Subsequently, post conversion to a private limited company a new agreement was entered into on June 3, 2016 in the name of new company Pittie Distributors. The Pittie group has been able to acquire All India exclusive Institutional distributorship and the sole super distributorship for the Greater Mumbai region for two of its group companies. Increased awareness of healthy living, coupled with a steady increase in Baba Ramdev and Acharya Balkrishna's popularity/followership have led to an increasing demand for PAL's products and have also enabled the company to establish its brand in the market. Moreover, being the sole distributor for Greater Mumbai region, widening retail chain and stores network and increasing product portfolio to achieve greater brand penetration are key growth drivers. Likewise, the operating income of Pittie Distributors grew at a CAGR of 73% over the period FY2013-2016. However, the company has limited pricing flexibility as the procurement price as well as the selling price is governed by the contract. The ability to manage the working capital cycle efficiently in the light of further scaling up of its distributorship business is a key sensitivity factor. However, post conversion into a private limited company in FY2017, the net worth position has improved to some extent.

ICRA expects the company to continue to derive the benefit of the positive demand outlook owing to the perceived health benefits of ayurvedic products; moreover, Patanjali products are typically priced lower than other competing brands. While there is a strong linkage of the 'Patanjali' brand with PAL's key promoters - Acharya Balkrishna and Baba Ramdev - the brand value is vulnerable to any decline in the followership of these individuals. Any violation of food regulations can also adversely affect the demand for Patanjali products. Furthermore, factors which pose a threat to the exclusivity and the company extending inter-corporate/inter-group short term loans can have a negative bearing on meeting the funding requirements and would be a key monitorable.

### **Analytical approach:**

To arrive at the ratings, ICRA has taken into account the standalone financials along with key operational developments in the recent past. The firm operates as a standalone entity and does not have any subsidiary in place.

### **Links to applicable criteria:**

<http://www.icra.in/Files/Articles/Rating%20Methodology-Trading%20Companies.pdf>  
Corporate Credit Rating – A Note on Methodology

### **About the company:**

Peetambara Distributors (Peetambara) a proprietorship concern established in 2011 by Mr. Krishna Kumar Pittie has been converted into Pittie Distributors India Private Limited (Pittie Distributors or the company), a private limited company in July 2016. Pittie Distributors is a family-managed company, and continues to be involved in the distribution of ayurved, FMCG and herbal products of DYM, PAL and DP. Pittie Distributors acts as a distributor for the Greater Mumbai region and caters to sub-distributors/dealers and retailers across Mumbai. The company's administrative and registered office is in BKC, Mumbai and it has a rented go-down in Andheri, Mumbai.

The proprietor of Peetambara Distributors and the current major shareholder of Pittie Distributors is Mr. Krishna Kumar Pittie, the founder of the Pittie Group, which has a presence in construction, distributorship and media business. Mr. Pittie has an extensive experience in diverse businesses spanning three decades.



The Pittie Group was formed in 1991 with the incorporation of its flagship company, Victoria Enterprises Limited, which is involved in the real estate development business in Mumbai as well as in other tier II cities. The Group has its presence in the e-commerce channel, through Shubkart India Pvt. Ltd. with a dedicated spiritual online market place, Shubkart.com, for spiritual products, namely, gemstones, *fengshui*, *rudraksh*, religious books, devotional CDs etc. The group is also into the resale business and trades in ayurvedic, herbal, processed foods, beverages, homecare and body care products, having acquired the distribution rights of the Pantanjali Group via its group companies - Pro Body Balance Pvt. Ltd and Pittie Distributors.

Pittie Distributors recorded a net profit of Rs. 1.05 crore on an operating income of Rs. 114.39 crore for the year ending March 31, 2016 and a profit before tax of Rs. 1.29 crore on an operating income of Rs. 120.53 crore for the eight months period ending November 30, 2016.

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

**Any other information:** Not Applicable

**Rating history for last one year:**

**Table: Rating History**

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 1 year
		Type	Rated amount (Rs. Crore)	Month-year & Rating	Month- year & Rating in FY2016
				February 2017	January 2016
1	Working Capital Limits	Long Term	25.00	[ICRA]BB-(Stable)	[ICRA]B+

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**
**Details of Instrument**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs. Cr)</b>	<b>Current Rating and Outlook</b>
Working Capital Limits – Demand Cash Credit/e-DFS Limit	-	-	-	25.00	[ICRA]BB- (Stable)

Source: Pittie Distributors

**Name and Contact Details of the Rating Analyst(s):**

**Subrata Ray**  
+91 22 2433 1086  
[subrata@icraindia.com](mailto:subrata@icraindia.com)

**Suprio Banerjee**  
+91 22 6114 3443  
[supriob@icraindia.com](mailto:supriob@icraindia.com)

**Preeti Kumaran**  
+91 22 6169 3356  
[preeti.kumaran@icraindia.com](mailto:preeti.kumaran@icraindia.com)

**Name and Contact Details of Relationship Contacts:**

**Jayantac Chatterjee**  
+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

About ICRA Limited:

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. For more information, visit [www.icra.in](http://www.icra.in)

© Copyright, 2017, ICRA Limited. All Rights Reserved  
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500