



Rating Rationale

GK Dairy & Milk Products Pvt Ltd

19 June 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs. 38.39 Crs of GK Dairy & Milk Products Pvt Ltd

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating ^
CC	37.25	Long Term	BWR BBB- (Outlook:Stable) (Pronounced BWR Triple B Minus)
TL	1.14		
Total	38.39	(INR Thirty Eight Crores and Thirty Nine Lakhs Only)	

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of **GK Dairy & Milk Products Pvt Ltd** up to FY16, provisional for FY17, projected financials for FY18 and information/clarifications provided by the Company.

The rating has factored, inter alia, Experienced Promoters, Strong client base, increasing revenue, diversified product and moderate leverage position. However, the rating is constrained by low profitability margins and high receivables.

Rating Outlook: Stable

BWR believes the **GK Dairy & Milk Products Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Company was Incorporated in 1995 and began operations in 1998. It processes milk and manufactures milk products, such as ghee, skimmed and whole milk powder. The existing unit located at Ballabgarh – Haryana has a capacity of 12 lakh liters per day. Currently company is



procuring approx. 2.60 Lacs ltrs. milk per day out of which approx. 2 Lacs ltrs milk is used for poly pack milk, 0.60 Lac ltrs. milk is used for milk products. The Company is also utilizing UHT plant for packing Juices for Patanjali, Dabur and Lah- Berry. GK Dairy is currently working with various marquee clients such as Hindustan Unilever Ltd, Dabur India Ltd, Godrej Hershey Foods & Beverages Ltd, and Heinz Food Corporation. The company is managed by Mr. Gopal Dixit (managing director), his son Mr. Gaurav Dixit (executive director), and Mr. D K Jha (chief executive officer). G.K. Dairy puts each milk sample through stringent quality controls in order to ensure correct FAT and SNF percentages in accordance with 28 recommended BIS and Agmark standards. Preservatives, neutralizers, adulterants, bacteriological tests like Standard Plate Count and Coliform Bacteria are conducted. All the plant activities, right from processing to manufacturing are guided by ISO 22000:2005 and Food and Safety Manual (HACCP).

Financial Performance

In FY16, company has achieved total operating income of Rs 464.60 Crs against Rs 433.85 Crs in FY15. The operating profit margin stood at 1.56 per cent and net profit margin at 0.14 per cent for FY16. The company has debt equity of 1.88 times in FY16. The tangible net-worth stood at Rs 23.01 Crs for FY16. As per provisional FY17, the company has achieved sales of Rs 479.18 Crs.

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument / Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs in Crs)	Rating	2016	2015	2014
1	Fund Based	Long Term	38.39	BWR BBB- (Outlook: stable)	Nil	Nil	Nil

Status of non-cooperation with previous CRA (if applicable): Reason and comments

NA

Any other information

NA



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.



Multiple Banking Arrangement		
Oriental Bank of Commerce		
Facilities	Amount	Amount to be rated (Rs in Crs)
Fund Based		
Cash Credit	10.00	10.00
Kotak Mahindra Bank		
Cash Credit	27.25	27.25
Term Loan	2.29	1.14
Total	39.54	38.39