

Rating Rationale

Brickwork Ratings assigns 'BWR B+' rating for the Bank Loan facilities aggregating ₹ 27 Cr of Lucknow Producers Co-operative Milk Union Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities of ₹ 27.00 Cr of Lucknow Producers Co-operative Milk Union Ltd. (LPCMUL)

Facilities	Amount (₹ Cr)	Tenure	Rating
Fund Based Cash Credit	27.00	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable
Total	27.00	(INR Twenty Seven Crore Only)	

(Union Bank Of India- Rs.12 Cr and Corporation bank- Rs.15 Cr)

BWR has essentially relied upon the audited financial results of the firm up to FY14, projections for FY15 & FY16, publicly available information and information/clarifications provided by the Company's management.

The rating draws strength from the extensive experience of the unit in milk and milk products industry for more than 75 Years, majority ownership being with the state government, diversified product range, adequate liquidity and regular aid from the state government. However, the ratings are constrained by high gearing ratio due to low tangible net worth, decreasing revenues and losses incurred for the last two years.

Background:

Lucknow Producers Co-operative Milk Union Ltd was established in 1938 which is one of the oldest organisation in the co-operative sector. Present handling capacity of plant is 1,50,000 KgPD. With around 33000 (Approx.) registered farmers supplying milk to the organisation, who have the share capital holding of 52 % and the rest by Uttar Pradesh state government.

The chief executive officer of the organisation is General Manager & every division is headed by an officer. An elected board of 13 members, who are governing the functioning of the organisation. Out of 13 members, 9 members elect one each member as a nominee of National Dairy Development Board and each members is representative of National Dairy Development Board, Milk Commissioner Govt. of U.P. Milk Commissioner of Govt. of U.P. & Managing Director P.C.D.F. and General Manager acts like a Member Secretary.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

Lucknow Producers Co-operative Milk Union Ltd reported total sales revenue of ₹ 169.66 Cr And PAT of ₹ -0.40 Cr in FY14 as against total sales revenue of ₹ 192.90 Cr and PAT of ₹ -0.61 Cr in FY13. Tangible net worth stood at ₹ 11.06 Cr and debt equity ratio was 2.95 times as on March 31, 2014.

Rating Outlook:

The operations are expected to be stable over the coming years. Going forward, continued support and ownership of the state government, the ability of the firm to improve its revenues, profitability and net worth level would be the key rating sensitivities.

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