

Rating Rationale

Megha Bottling

4 Jun 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 14.44 Crores of Megha Bottling.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April, 2017)	Present
Fund based Cash Credit Term Loan	17.00 3.16	10.50 2.94*	Long Term	BWR BB+ (Pronounced as BWR Double B Plus) Outlook:Stable	BWR BB+ (Pronounced as BWR Double B Plus) Outlook:Stable Reaffirmed
Non Fund Based Letter of Credit	1.00	1.00	Short Term	BWR A4+ (Pronounced as BWR Single A Four Plus)	BWR A4+ (Pronounced as BWR Single A Four Plus) Reaffirmed
Total	21.16	14.44	INR Fourteen Crores and Forty Four Lakhs Only		

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

Note : Term Loan - O/s amount as on 14.5.2018

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied upon the audited financials up-to FY17, provisional upto Dec 2017 certified by management and publicly available information and the information/clarifications provided by the management.

The rating draws strength from the experience of the partners, improved profitability margins, low gearing ratio and satisfactory coverage ratios. However, the ratings are constrained by revenue remained stagnant, inherent risk of the constitution of the firm, working capital intensive nature of operations and highly competitive nature of industry competing with known and unknown brands



Description of Key Rating Drivers

Credit Strengths: Partners are having two decades of experience , Operating & Net profit margins improved from 2.05% & 0.27% in FY16 to 2.35% & 0.49% in FY17, gearing ratio is at 0.53 times in FY17, Interest & Debt coverage ratios are at 2.02 times and 2.08 times in FY17

Credit Risks: Revenue remained almost stagnant in the last three years i.e Rs. 109.81 Crs in FY15, Rs. 108.18 Crs in FY16 & Rs. 110.53 Crs in FY17, inherent risk of the constitution of the firm being partnership.

Going forward, the ability of the firm to enhance growth in scale of operations with visible growth in revenue and profitability margins, efficiently manage its working capital and service the debt obligations promptly will be the key rating sensitivities.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Megha Bottling** 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 Firm

Megha Bottling was established on 12.12.2001 as proprietorship concern by Ms. Ranjitha Shankar. Manufacturing unit is located at Narimogru Village, Puttur, Karnataka. In FY14, the firm was reconstituted into partnership by inducting Mr. Sathya Shankar as a partner. The firm is into processing of carbonated drinks such as - Jeera Masala, Zivo Soda, Club Soda, Orange, Lemon, Cola, Ginger and Apple Fizzy. The manufactured products are sold under brand name of Bindu, Fruzon, Orange Squish, zing, zivo, Sipon. The associate concern of the firm is Megha Fruit Processing Pvt Ltd.

Firm Financial Performance

The firm is reported a total operating income of Rs.110.53 Crores in FY17 and Rs.108.18 Crores in FY16. Operating and net profit margins reported at 2.35% and 0.49 in FY17 as against 2.05% and 0.27% in FY16. Tangible net-worth of the firm stood at Rs.16.66 Crs in FY17. The firm is reported to have debt equity of 0.53X in FY17. As per provisional certified by management, sales achieved upto Dec 2017 is Rs. 65.21 Crs

Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	13.4.2017	3.2.2016	2015
1	Fund Based	Long Term	13.44	BWR BB+ (Pronounced as BWR Double B Plus) Outlook:Stable	BWR BB+	BWR BB+	Not Rated
2	Non Fund Based	Short Term	1.00	BWR A4+ (Pronounced as BWR Single A Four Plus)	BWR A4+	BWR A4+	Not Rated
	Total		14.44	₹ Fourteen Crores and Forty Four Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)- Nil

Any other information : Nil

Key Financial Indicators

Key Parameters	Units	2017	Dec 2017
Result Type		Audited	Provisional
Operating Revenue	Rs In Crores	110.53	65.21
EBITDA	Rs In Crores	2.59	2.49
PAT	Rs In Crores	0.54	0.36
Tangible Net worth	Rs In Crores	16.66	16.96
Total Debt/Tangible Net worth	Times	0.53	0.98
Current Ratio	Times	1.81	1.56

Hyperlink/Reference to applicable Criteria

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



- [Manufacturing Companies](#)
- [Short Term Debt](#)

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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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