Brickwork Ratings assigns 'BWR BB' for the Bank Loan facilities aggregating ₹ 24.83 Cr of S. V. Milk & Milk Products Pvt Ltd.

Brickwork Ratings has assigned the following **Rating**[1] for the Bank Loan facilities of S. V. Milk & Milk Products Pvt Ltd *(SVMMPL or the company)*.

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit (Fund Based)	**21.00**	Long Term	**BWR BB** (BWR Double B) **Outlook: Stable**
Term Loan (Fund Based)	**1.83**		
Stand By Line of Credit (Fund Based)	**2.00**		
Total	**24.83**	**INR Twenty Four Crores and Eighty Three Lakhs only**	

BWR has essentially relied upon the audited financials of S. V. Milk & Milk Products Pvt Ltd up to FY 13 and projected financials of FY 14 & FY 15, publicly available information and information/clarifications provided by the company.

The rating reflects strong group profile and experience of the promoters in industry, established market position in dairy industry, brand name of products and increase in scale of operations. The rating is, however, constrained by thin margins, moderate financial risk profile marked by moderate gearing and debt protection matrices, moderate tangible Networth, volatility in price of raw materials may affect the profitability of the firm, competitive nature of the industry and working capital intensive nature of operations.

Background:

S.V. Milk & Milk Products Pvt Ltd (SVMMPPL) was established in 2001 as a proprietorship firm named Sri Venkateshwara Dairy Farm by Mr. Pemmasani Munishekar Naidu; it was reconstituted as a private limited company in 2007. Its manufacturing unit and office are located at Pichatoor, Chitoor District. SVMMPPL is engaged in processing of milk and milk products. The company's day-to-day operations are managed by Mr. Pemmasani Munishekar Naidu's son, Mr. Pemmasani Sravan Kumar. The total installed capacity of the company in the case of Milk is 4, 00,000 litres per day and 1, 00,000 litres per day in case of by-products.

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

The company uses raw milk as a raw material, which is procured from various villages & towns.

Financial Performance:

SVMMPL's net revenue from operations increased from ₹ 179.73 Cr in FY12 to ₹ 239.36 Cr in FY13 and which expected to increase further in FY 14 due to increased retail outlets and distributor base. Operating margin and net profit margin stood at 2.77% and 0.82 % respectively in FY 13. Networth of SVMMPL has increased from Rs. 13.99 Cr in FY 12 to Rs. 15.95 Cr in FY 13 due to retention of profits. Borrowings are essentially by way of working capital facilities & term loan and the ratio of Total Debt to Equity was 1.73x times in FY 13 which is expected to decrease due to infusion of capital by promoters. Till Nov 2013, SVMMPL has achieved turnover of Rs. 209.07 Cr.

Rating Outlook:

The outlook is expected to be stable over the current year. Going forward, the ability of the company to achieve the projected turnover, improving profitability margins, strengthen its capital structure and effectively manage its working capital requirements will remain key rating sensitivities.

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