Rating Rationale

Shivprasad Foods & Milk Products

14 March 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 21.86 Crores of Shivprasad Foods & Milk Products.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	**21.86**	**Long Term**	**BWR BB (BWR Double B) Outlook: Stable**
Total	**21.86**	**INR Twenty One Crores Eighty Six Lakhs Only**	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has factored, inter alia, the experience and track record of the promoter, diversified product profile and and improvement of company's financial performance in current financial year. However the rating is constrained by relatively moderate scale of operations, weak liquidity, susceptibility to raw material price fluctuation and the inherent risk of being a proprietorship concern..

Description of Key Rating Drivers

- **Credit Strengths:**

  The company has a diversified product profile that includes milk and milk products such as condensed milk, skimmed milk powder, ghee, butter , amrakhand, shrikhand, lassi, peda etc.

  Company's revenue had decreased from FY16 to FY17 due to the decrease in milk prices. However company's operations has revived this year and as per unaudited nine month financials the company companies revenue, liquidity and coverage ratios and profit margins have improved. As informed by company revenue and profitability have increased since the company has entered into retail business by selling products under their own brand name in which profit margins are high.

  Financial support from promoter in the form of infusion of unsecured loans.

- **Credit Risks:**

  Moderate scale of operations. Company has achieved a revenue of Rs. 87.32 Crores in FY17.

However in the present financial year as per unaudited financials company has achieved a sales of Rs. 78.99 Cores till December 2017.

Company has weak liquidity as per FY17 financials, however company's liquidity position has improved to moderate levels from thereon as a result of the infusion of unsecured loans by promoter.

The revenue of the company is largely affected by raw material (milk) price fluctuation. Moreover the industry is highly regulated by the government thereby limiting the ability of the company to hike selling prices. Hence any adverse movement in the price of raw material could have an adverse impact on its revenue and profit margins.

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 **Shivprasad Foods & Milk Products** 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

Shivprasad Foods & Milk Products (SFMP) was incorporated in 2009. The entity is a proprietorship concern run by Mr. Sharad Jagannath More and is into milk processing and manufacturing of milk products. Product line consists of condensed milk, skimmed milk powder, ghee, butter , amrakhand, shrikhand, lassi, peda etc. Mr. Sharad jagannath More has an experience of more than 25 years in the dairy business. The company used to sell the products to companies like Patanjali Agro, Mother Dairy Etc. This year company have started selling products in their own brand name in retail market also.

Company Financial Performance

In FY16 the entity had an income of Rs. 87.32 Crores as against Rs. 95.00 Crores in FY17. During the same period net profit has improved from Rs 0.97 Crores to Rs 1.00 Crores.The proprietor's capital stood at Rs 5.91 Crores as on March 31,2017. As per unaudited financials of Dec 2017 entity has achieved a sales of Rs. 78.99 Crores. Promoter have infused unsecured loans of Rs. 8.98 Crores as on 31.12.2017. As informed by the company there is an improvement in the liquidity and profitability in the current financial year.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Date, Month, Year	Date, Month, Year	Date, Month, Year
1	**Fund Based**	Long Term	21.86	**BWR BB Stable**	-	-	-
	Total		**21.86**	**₹ Twenty One Crores Eighty Six Lakhs Only**			

Status of non-cooperation with previous CRA (if applicable)- CRISIL has assigned CRISIL BB-/Stable (Issuer Not Cooperating: Rating Reaffirmed) for long term bank loan facilities on 01.11.2017. India Ratings has assigned IND BB-/IND A4+ (Issuer Non- Cooperating) dated 09.08.17.

Any other information - NA

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	87.32	95.00
EBITDA	₹ Cr	3.29	3.04
PBT	₹ Cr	1.00	0.97
Tangible Net worth	₹ Cr	5.91	4.69
Total Debt/Tangible Net worth	Times	3.33	3.89

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**

For any other criteria obtain hyperlinks from website

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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

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.