



SMERA RATINGS LIMITED

M R Dairy Products Private Limited

(M.R. Dairy)

Rating
Rationale

December 30, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	40.00	SMERA BB/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) to the above mentioned bank facility of M R Dairy Products Private Limited (M.R. Dairy). The outlook is '**Stable**'. The rating is supported by the company's established operations, experienced management and long-standing relations with customers and suppliers. Besides, the company has a strong market position in the northern and eastern regions.

However, the rating is constrained by the moderate financial risk profile, high working capital requirements and concentrated revenue profile. The rating notes that the company's profit margins are exposed to volatility in prices of milk powder and the business is susceptible to adverse changes in industry regulations.

Rating Sensitivity Factors

- Fall in domestic and global SMP prices
- Stable revenue growth from the domestic market.

Outlook: Stable

SMERA believes M.R. Dairy will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers strong growth in revenue while achieving a well-diversified product profile and healthy profit margins. The outlook may be revised to 'Negative' in case of decline in the company's revenue and profit margins, or deterioration in the financial risk profile. The outlook may also be affected by adverse changes in industry regulations.

About the Company

M.R.Dairy, incorporated in 1997, is a Kolkata-based company promoted by Mr. Moni Mohan Dey, a second-generation entrepreneur with around three decades of experience in the dairy industry. The company is engaged in the trading of skimmed milk powder and other dairy products.

For FY2014-15, M.R.Dairy reported profit after tax (PAT) of Rs.1.05 crore on operating income of Rs.182.13 crore, as compared with PAT of Rs.0.95 crore on operating income of Rs.190.49 crore in FY2013-14. The company registered operating income of Rs.137.08 crore (provisional) for the nine months ended December 2015.

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