

Press Release

Morgan Milk And Dairy Industries Private Limited

December 31, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) to the Rs. 18.00 crore bank facilities of Morgan Milk And Dairy Industries Private Limited (MMPL). The outlook is '**Stable**'.

MMPL is a Nashik based company incorporated in 2014 and engaged in manufacturing and processing of milk based products such as milk powder, ghee, butter, paneer and flavoured milk sold under the brand name 'Morgan Milk'. The commercial operations have commenced from November 2018.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of MMPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Samadhan Hire and Mrs. Rekha Hire have over two decades of experience in milk processing business. This has helped MMPL in developing healthy relationships with customers and suppliers.

- **Favourable location of factory**

MMPL is based at Malegaon in Nashik (Maharashtra). It is situated on a diversion of 50 kilometres from the National Highway which connects to major towns of the Maharashtra state such as Solapur, Pune, Hyderabad and also connects Maharashtra state with other major cities in the different states. The site also connects well with railway routes and the closest station is NGN Nandgaon Railway Station which is at a distance of 48 kilometres. The nearest airport is in Mumbai at a distance of 269 kilometres from Malegaon Village. The nearest Sea-Port is JNPT Mumbai.

Weaknesses

- **Fragmented and competitive nature of business**

MMPL is operating in a competitive and fragmented industry. There are several players engaged in the milk processing business in organised and unorganised sector. Hence, MMPL faces pricing pressure from other manufacturers of milk products. This will result in thin profitability.

- **Nascent stage of operations**

MMPL was established in 2014 and started commercial production in November 2018. Thus, there is limited track record of operations. Acuité believes that healthy inflow of business orders are key rating sensitivity factor over the near to medium term.

Outlook: Stable

Acuité believes that the rated facilities of MMPL will maintain 'Stable' outlook owing to long experience of the promoters in the business. The outlook may be revised to 'Positive' if MMPL is able to scale up the operations with improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration in the overall financial risk profile.

About the Rated Entity - Key Financials

Not Applicable. Since commercial operations have started in November 2018.

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Nov-2017	Proposed Cash Credit	Long Term	3.00	ACUITE B- / Stable (Assigned)
	Proposed Long Term Loan	Long Term	15.00	ACUITE B- / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE B- / Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Sushmita Murai Analyst - Rating Operations Tel: 02249294055 sushmita.murai@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.