

## Press Release

### MANGALSIDDHI MULTIPURPOSE MULTISTATE SAHAKARI SANGH LIMITED

28 March, 2018



#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 11.00 Crore
<b>Long Term Rating</b>	SMERA BBB-/ Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned the long term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) on the Rs. 11.00 crore bank facilities of MANGALSIDDHI MULTIPURPOSE MULTISTATE SAHAKARI SANGH LIMITED. The outlook is '**Stable**'.

Mangalsiddhi Multipurpose Multistate Sahakari Sangh Limited (MMMSSL) is a Pune based Co-operative society established in 2005 with Director, Mr. Rajendra Tambile. The society is engaged in processing and distribution of milk to various brands such as Amul, Gokul, Mahanand among others. The society also sells the milk and other related products such as butter, ghee, lassi, buttermilk under its own brand name 'Rajmangal'. The society has a milk handling capacity of one lakh litres per day.

#### Key rating drivers

##### Strengths

##### Experienced management

The director of the society, Mr. Rajendra Tambile has experience of over a decade in the dairy industry. Owing to the promoter's experience in the industry, the entity has developed healthy relationships with various Milk brands such as Amul, Gokul, Mother dairy among others and also with various farmers and milk suppliers to have uninterrupted supply of milk.

##### Above average financial risk profile

MMMSSL has above average financial risk profile marked by tangible net worth of Rs. 12.36 crore as on 31 March, 2017 as against Rs. 11.72 crore as on 31 March, 2016. The gearing deteriorated marginally to 1.12 times as on 31 March, 2017 as against 0.76 times as on 31 March, 2016 mainly on account of additional loan in FY2017. The debt of Rs. 13.79 crore consists of term loans of Rs. 5.36 crore and working capital borrowings of Rs. 6.90 crore as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 2.53 times for FY2017 as against 2.65 times in FY2016. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.61 times as on 31 March, 2017 as against 1.13 times as on 31 March, 2016. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.17 times as on 31 March, 2017 as against 0.16 times as on 31 March, 2016. Going forward, SMERA expects the financial risk profile to improve marginally in absence of major debt funded capex plans.

## Moderate working capital cycle

MMSSL has moderate working capital marked by high Gross Current Asset (GCA) days of 72 in FY2017 compared to 81 in FY2016. The GCA days are mainly dominated by debtor days of 52 in FY2017 compared to 64 in FY2016. The average cash credit utilization for the past six months stood at ~95 percent. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

## Weaknesses

### Susceptibility to changes in government regulations and environmental conditions

MMSSL is susceptible to government regulations such as ban on skimmed milk powder (SMP) exports and removal of export incentives. Furthermore, it is susceptible to failure in milk production because of external factors such as cattle diseases. SMERA believes that strengthening of procurement channel by the company to meet the high demand will improve the business risk profile of the company.

## Highly competitive industry

The society faces stiff competition from several organised players present in the dairy industry. The competition further gets intensified on account of limited entry barrier and presence of several unorganised players.

### Analytical approach:

SMERA has considered the standalone business and financial risk profiles of MMSSL to arrive at the rating.

### Outlook – Stable

SMERA believes that MMSSL will continue to benefit over the medium term owing to its established presence in dairy industry, supported by strong procurement capability and distribution network. The outlook may be revised to 'Positive' if society's scale of operations increases substantially, while also improving its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if society fails to achieve the scalability amidst intensifying competition in the area of operation or if financial risk profile deteriorates owing to higher-than-expected increase in debt-funded capex or working capital requirements.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	75.01	48.73	61.87
EBITDA	Rs. Cr.	3.75	2.31	1.84
PAT	Rs. Cr.	0.79	0.47	0.21
EBITDA Margin	(%)	5.00	4.73	2.79
PAT Margin	(%)	1.06	0.96	0.33
ROCE	(%)	9.78	6.69	12.86
Total Debt/Tangible Net Worth	Times	1.12	0.76	0.86
PBDIT/Interest	Times	2.53	2.65	1.83
Total Debt/PBDIT	Times	3.67	3.88	4.93
Gross Current Assets (Days)	Days	72	81	44

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

None

**Any other information:**

Not Applicable

**Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

**Note on complexity levels of the rated instrument**

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

**Rating History (Upto last three years)**

Not Applicable

**\*Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BBB-/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.40	SMERA BBB-/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.60	SMERA BBB-/Stable

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**ABOUT SMERA**

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