

Press Release

Vishwas Milk Products Private Limited

June 29, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs. 6.00 crore bank facilities of Vishwas Milk Products Private Limited. The outlook is '**Stable**'.

Incorporated in 2008, Vishwas Milk Product Private Limited (VMPPL) is an Amritsar (Punjab) based company promoted by Mr. Sandeep Arora and Mrs. Upasana Arora. The company's product profile includes milk and value added products such as milk powder, ghee, paneer, and curd. VMPPL procures milk from contractor based out of Amritsar. Post processing and packaging, the milk is sold under its brand name 'Milk land' in Punjab, Haryana and Himachal Pradesh.

SUS Agro Foods Private Limited (SAFPL) , part of Vishwas group, is a Jammu based company engaged in manufacturing of whole milk powder, skimmed milk powder, whey milk powder and ghee.

ACUITE has taken a consolidated view of Vishwas Milk Products Private Limited (VMPPL) and SUS Agro Foods Private Limited (SAFPL) referred to as the Vishwas Group. The consolidation is in view of common management, same line of business and financial linkages in form of corporate guarantee.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

Vishwas group has an established track record spanning over a decade in the dairy industry. Mr. Sanjeev Arora, B Tech (specialization in Diary business) has more than a decade of experience in trading of milk and milk products prior to establishing in VMPPL by virtue of his association with his family business. VMPPL, further, benefits from an established brand presence in Punjab, Haryana and Himachal Pradesh owing to strong dealership network and derives more than 94 percent its revenue from milk sold under 'Milk Land'.

- **Moderate financial risk profile**

The financial risk profile of Vishwas group is moderate, marked by modest capital structure and adequate debt protection metrics. Net worth and gearing stood at Rs 14.38 crore and 1.24 times, respectively, as on March 31, 2018. The debt protection gearing is healthy marked by interest coverage ratio of 2.18 percent in FY2018 as compared to 1.91 percent in FY2017. The net cash accrual to total debt is moderate and same stood at 0.12 percent as against 0.10 percent.

Weaknesses

- **Modest scale of operations, with geographical concentration in revenue**

The company registered modest operating revenue of Rs 46.38 Crore in FY2018 (provisional) as against Rs 40.00 Crore in the previous year. On a consolidated basis, the group posted operating revenue of Rs 73.56 Crore in FY2018 as against Rs 67.46 Crore in the previous year. Further, the operation of group is concentrated in Punjab, Haryana, Himachal Pradesh and Jammu.

- **Susceptibility to volatility in milk prices, changes in government regulations**

Price of milk, primary raw material, is sensitive to changes in government policies, and environmental conditions. Operating profitability is thus, vulnerable to the Government of India's (GoI's) policies, related to the minimum support price (MSP) at which milk is purchased from farmers. Further, the group is exposed to socio-political disturbance in Jammu region where SAFPL is operational.

Analytical Approach

ACUITÉ has taken a consolidated view of Vishwas Milk Products Private Limited (VMPPL) and SUS Agro Foods Private Limited (SAFPL) referred to as the Vishwas Group.

Outlook: Stable

Acuité believes that the group will maintain a Stable outlook over the medium term owing to its promoter's extensive experience and modest financial risk profile. The outlook may be revised to 'Positive' in case of further improvement in debt coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of weakening of the financial risk profile

About the Group

VMPPL is part of Vishwas Group promoted by MR. Sanjeev Arora and Mrs. Upasana Arora. The group is primarily involved in dairy industry. SUS Agro Foods Private Limited (SAFPL) , part of Vishwas group, is a Jammu based company engaged in manufacturing of whole milk powder and whey milk powder and ghee.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	73.56	67.46	58.27
EBITDA	Rs. Cr.	4.12	3.93	3.37
PAT	Rs. Cr.	0.66	0.30	-0.38
EBITDA Margin	(%)	5.60	5.83	5.79
PAT Margin	(%)	0.90	0.45	-0.64
ROCE	(%)	7.94	8.08	13.22
Total Debt/Tangible Net Worth	Times	1.24	1.59	1.85
PBDIT/Interest	Times	2.18	1.91	1.53
Total Debt/PBDIT	Times	4.40	4.86	5.32
Gross Current Assets (Days)	Days	88	80	86

Any other information

Not Applicable

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. Crore)	Ratings/Outlook
7th June 18	Cash Credit	Long Term	4.50	ACUITE BB / Stable
	Term loans	Long Term	0.77	ACUITE BB / Stable
	Proposed Bank Facility	Long Term	0.73	ACUITE BB / Stable

***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	4.50	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.77	ACUITE BB / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.73	ACUITE BB / Stable

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About Acuité Ratings & Research:

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