

### Sabari Distribution Private Limited: Reaffirmed

Facility	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	13.00	SMERA BBB-/Stable (Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs.13.00 crore bank facility of Sabari Distribution Private Limited (SDPL). The outlook is '**Stable**'.

The rating continues to factor in the experienced management, established relationships with reputed principals and efficient working capital management. The rating also notes the comfortable financial risk profile of the company. However, the rating remains constrained by the low operating profitability owing to the trading nature of business.

#### Update

SDPL, incorporated in 1999 is the sole distributor for P&G and Gillette's products in Kerala. The company also acquired sole distributorship rights of Britannia Diary Products and Britannia Biscuits in Wayanad and Kannur districts of Kerala during FY2016-17. The company was promoted by Mr. P. K. Rajan, Managing director and Mr. P. Sreekumar Veedu who collectively possess around three decades of experience in the FMCG industry. The overall operations of the company are managed by Mr. M. V. Rajesh, Director and CEO who possess more than two decades of experience in the FMCG industry.

SDPL reported operating income of Rs. 514.51 crore in FY2015-16 as against Rs.481.92 crore in the previous year, registering a growth of ~7 per cent. The subdued growth is due to discontinuation of unprofitable brands such as Tide Bar and Duracell Batteries by P&G in FY2015-16. Further, as indicated by the management, SDPL achieved operating income of Rs.270.94 crore from April 2016 to September 2016. The company's liquidity position continues to be supported by healthy cash accruals of Rs.2.24 crore for FY2016 with negligible term debt obligations and moderate bank limit utilisation of around 74 per cent for six months ended September, 2016. The company has an efficient working capital management with working capital cycle of around 10 days for FY2015-16.

The financial risk profile of the company is comfortable marked by gearing of 1.01 times as on March 31, 2016 against 1.57 times in the previous year. The interest coverage ratio stood at 3.45 times in FY2015-16 compared to 3.43 times last year.

However the rating is constrained by the thin operating margin at 0.86 per cent in FY2015-16 vis-à-vis 0.80 per cent in FY2014-15 due to the trading nature of operations.

#### Rating Sensitivity Factors

- Scaling up of operations while improving profitability
- Effective working capital management

#### Outlook - Stable

SMERA believes that SDPL will continue to maintain a stable outlook and benefit over the medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves sustained improvement in profit margins while maintaining healthy revenue growth, leading to further improvement in its financial risk profile.

## Sabari Distribution Private Limited (SDPL)

Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in profitability or working capital management leading to weakening of the financial risk profile.

### Criteria applied to arrive at the rating:

- Trading Entities

### About the Company

SDPL, incorporated in 1999 is the sole distributor for P&G and Gillette's products in Kerala. The company is also the sole distributor of Britannia dairy products for Kerala and Britannia biscuits in Wayanad and Kannur districts of Kerala. The overall operations are managed by Mr. M V Rajesh, Director and CEO.

For FY2015-16, SDPL reported profit after tax (PAT) of Rs.1.81 crore on operating income of Rs.514.51 crore as compared to PAT of Rs. 1.46 crore on operating income of Rs. 481.92 crore in the previous year.

### Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
31 July, 2015	Cash Credit	13.00	SMERA BBB- (Upgraded from SMERA BB+)	-	Stable
02 January, 2014	Cash Credit	13.00	SMERA BB+ (Assigned)	-	Stable

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