

Press Release

Sabari Distribution Private Limited (SDPL)

31 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.20.00 Crore (enhanced from Rs. 13.00 crore)
Long Term Rating	SMERA BBB-/Stable (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs.20.00 crore bank facilities of Sabari Distribution Private Limited (SDPL). The outlook is '**Stable**'.

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 Wayannad and Kannur districts. The overall operations of the company are managed by Mr. M V Rajesh, Director and CEO.

List of key rating drivers and their detailed description

Strengths:

Experienced management and established track record of operations: SDPL was promoted by Mr. P.K. Rajan who possesses experience of more than two decades in the FMCG industry.

Established relation with its principal Procter & Gamble: The company is the sole distributor of Procter & Gamble products in Kerala for the last 15 years. Over the years, support from P&G has been instrumental in streamlining the entire supply chain used by SDPL.

Effective supply chain and working capital management: The company has established a wide and comprehensive supply chain management system consisting of over 60,000 retailers and 2500 non-retailers (include wholesalers and malls, large format convenience stores etc.) across Kerala to fulfil orders within 24 hours. The company has 25 branches controlled by the two hubs and around 265 direct selling executives (DSE). Further, the working capital cycle of the company stood at 10 for FY2015-16 due to efficient supply chain management practices.

Comfortable financial risk profile: SDPL's financial risk profile is marked by comfortable gearing of 1.01 times as on 31 March, 2016 and comfortable coverage indicators with interest coverage ratio of 3.45 times for FY2015-16.

Weaknesses:

Slender operating profitability: The company has reported operating margins of 0.86 per cent for FY2015-16 as against 0.80 per cent for FY2014-15. The slender margins can be attributed to the trading nature of the business.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of SDPL.

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that SDPL will continue to maintain a stable business risk profile in the medium term owing to its established relationship with P&G and efficient working capital management. The outlook may be revised to 'Positive' in case of higher-than-expected revenues and net cash accruals while maintaining a comfortable working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the company registers significant deterioration in working capital management or lower-than-expected revenues and cash accruals.

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, Britannia biscuits in Wayannad 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. Further, SDPL reported operating income of Rs.243.15 crore (provisional) from April, 2016 to September, 2016. The company reported net worth of Rs.8.47 crore as on 31 March, 2016 as compared to Rs.6.66 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs.Crore)	Rating with Outlook	Date	Rating	Date	Rating with Outlook	Date	Rating
Cash Credit	LT	20.00 (enhanced from Rs. 13.00 crore)	SMERA BBB-/Stable (Reaffirmed)	06 Dec, 2016	SMERA BBB-/Stable (Reaffirmed)	31 July, 2015	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)	02 Jan, 2014	SMERA BB+/Stable (Assigned)

*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	N.A	N.A	N.A.	20.00 (enhanced from Rs. 13.00 crore)	SMERA BBB-/Stable (Reaffirmed)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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