

Savitri Swadeshi Bikri Kendra

June 12, 2017

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	10	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Total	10 (Rupees Ten crore only)		

Details of facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Savitri Swadeshi Bikri Kendra (SSB) is primarily constrained by its modest scale of operations with low net worth base and weak financial risk profile characterized by low profitability margins, leveraged capital structure and weak debt coverage indicators. The rating is further constrained by SSB's constitution of the entity being a proprietorship firm and competitive nature of industry. The rating, however, draws comfort from experienced management and association with the established brand "Patanjali", growing scale of operations and moderate operating cycle.

Going forward, the ability of the firm to profitably increase its scale of operations while improvement in the capital structure along with efficient working capital management shall be the key rating sensitivities.

Detailed description of the key rating drivers
Key Rating Weaknesses

Modest though growing scale of operations coupled with low net worth base: Despite the growth registered on y-o-y basis in last 3 financial years (FY14-FY16 [refers to the period April 01 to March 31]) the scale of operations stood modest which limits the company's financial flexibility in times of stress and deprives it of scale benefits.

Weak financial risk profile: The financial profile of SSB is characterized by low profitability margins, leveraged capital structure, stressed coverage indicators and weak liquidity position. The profitability margins of the firm had remained on the lower side owing to the trading nature of business. The capital structure of the firm stood leveraged for the past three balance sheet dates (i.e. FY14-FY16) owing to low net worth base and high dependence on working borrowing borrowings to meet its requirements. Furthermore, coverage indicators stood weak for the past three financial years i.e. FY14-FY16, owing to low and declining profitability margins.

Highly fragmented nature of industry characterized by intense competition: The trading industry is a competitive industry wherein there is a presence of a large number of players in the unorganized and organized sector. There are a number of small and regional players catering to the same market which limits the bargaining power that the company exerts pressure on its margins.

Key Rating Strengths

Experienced management: SSBs overall management is headed by Mrs Nutan Sharma; who has an experience of five years through her association with the firm. However the firm's operations are supported by expertise of Mr Trilok Sharma and Mr Shyam Sundar Sharma, both have their expertise in business management and finance.

Association with established brand "Patanjali"

SSB has set up extensive marketing and distribution network to sell its products and cover mainly Gurugram, Rewari, Mahendergarh and Nuh. 'Patanjali' is an established brand among the masses across the country, with the promoters being instrumental in reviving yoga and Ayurvedic products at various levels. Firm's association with PAL and DP provides broad support with respect to the product off take.

Moderate operating cycle

The operating cycle of the Firm stood moderate at 24 days in FY16 with average inventory holding 34 days in FY16. The Firm allows as well as receives credit period of around 1-2 months owing to long-standing relationship.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's Methodology for Wholesale Trading Companies](#)

[Financial ratios \(Non-Financial Sector\)](#)

About the Firm

Gurgaon-based (Haryana) SSB was established as a proprietorship firm in 2012 by Mrs Nutan Sharma. The firm is currently being managed by Mr Trilok Sharma and Mr Shyam Sunder Sharma. SSB has distributorship of Patanjali Ayurvedic Limited (PAL) and Divya Pharmacy (DP). Patanjali has 500-plus products on offering for customers categorized, namely, into two segments, ie, PCD (Personal Care Division) which includes cosmetic products such as Face wash, toothpaste, hair cleaner, Detergent Powder, etc. Food and Beverage Division (F&B) which includes Ghee, Mustard Oil, Rice, Atta, etc. M/s Savitri Swadeshi Vikri Kendra caters to the needs of distributors, Patanjali Chikitsalya Arogya Kendra of 4 districts, namely, Gurgaon, Rewari, Mahendergarh and Nuh. Total around 40 such outlets are there in the entire four districts.

In FY16, SSB has achieved a total operating income (TOI) of Rs.74.67 crore with PAT of Rs.0.35 crore as against total operating income (TOI) of Rs.38.16 crore and PAT of Rs.0.22 crore in FY15. In FY17 (based on provisional results), the firm achieved a total operating income of Rs.90 crore.

Status of non-cooperation with previous CRA: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mr Achin Nirwani

Tel: 011- 45333228

Email: achin.nirwani@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE B+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE B+; Stable	-	-	-	-

CONTACT**Head Office Mumbai****Mr Mehul Pandya**

Mobile: +91-98242 56265

E-mail: mehul.pandya@careratings.com**Mr Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East),
Mumbai - 400 022 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr Deepak Prajapati**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Mobile: +91-9099028864

Tel: +91-79-4026 5656

E-mail: deepak.prajapati@careratings.com**BENGALURU****Mr Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Mobile: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr Sajan Goyal**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Mobile: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**CHENNAI****Mr V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Mobile: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**COIMBATORE****Mr V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Mobile:

Email: pradeep.kumar@careratings.com**HYDERABAD****Mr Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Mobile : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Mobile: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Mobile: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**NEW DELHI****Ms Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Mobile: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**PUNE****Mr Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Mobile: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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