

Sinnar Taluka Vibhagiya Sahakari Dudh Utpadak And Prakriya Sangh Limited

March 12, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	9.16	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; Issuer not cooperating)	Issuer not cooperating; Revised from CARE B+;Stable(Single B Plus; Outlook:Stable) on the basis of best available information
Total	9.16 (Rupees Nine Crore and Sixteen Lakh Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Sinnar Taluka Vibhagiya Sahakari Dudh Utpadak And Prakriya Sangh Limited (STDSL) to monitor the ratings vide e-mail communications dated November 29,2019,January 09,2020,January 16,2020,January 31,2020,February 14,2020 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on STDSL's bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING ***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The rating has been revised on account of no due-diligence conducted, and non-availability of information due to non-cooperation by STDSL with CARE's efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Further, the ratings assigned to the bank facilities of Sinnar Taluka Vibhagiya Sahakari Dudh Utpadak And Prakriya Sangh Limited (STDSL) are constrained on account of small scale of operations with low profitability margins, weak debt coverage indicators, stretched liquidity position, risks associated with raw milk procurement, price volatility and seasonality associated with raw material, and presence in highly fragmented industry. The rating, however; continues to derive strength from long track record of the society with experienced promoters, comfortable capital structure, and growing demand for milk and milk products

Detailed description of the key rating drivers

At the time of last rating on April 04, 2019 the following were the rating strengths and weaknesses

Key Rating Weakness

Small scale of operations with low profitability margins: The scale of operations as reflected by a total operating income (TOI) increased at a y-o-y growth rate of 16.52% to Rs.41.34 crore in FY18 (refers to a period from April 1 to March 31) and total capital employed stood at Rs.18.39 crore as on March 31, 2018. Small scale of operations limits the financial flexibility of the society in times of stress and depriving the company from the benefits of scale. Moreover, the society has registered TOI of Rs.45.13 crore in 11MFY19 ended in February, 2019. Further, the profitability margins of STSL, though improved continues to remain low, as reflected by PBILDT margin and PAT margin in range of 1.59%-1.80% and 0.31%- 0.33%, respectively for last three financial years ended in FY18.

Weak debt coverage indicators: The debt coverage indicators of the society continues to remain weak as reflected by an interest coverage ratio of 1.68x for FY18 (P.Y: 1.31x) and the total debt/gross cash accruals (GCA) of 22.90x as at the end of FY18 (P.Y:22.31x). The same was due to low accruals and moderate debt profile.

Stretched liquidity position: The liquidity positions of the society remained moderate as reflected by current ratio of 2.43x as on March 31, 2018. The operation of the society continues to remain working capital intensive in nature with gross current asset days of 19 days during FY18 with funds majorly blocked in receivables. The working capital requirements are met by cash credit facility, the average utilization of the CC limit is fully utilized during peak season (December-February) and ~50% utilized during non-peak season (March-November).

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Risks associated with raw milk procurement, price volatility and seasonality : STSL procures milk primarily from local farmers and hence is exposed to the risk of quality of milk being procured. Furthermore, supply of milk is exposed to external risks like cattle diseases, and seasonality which results in volatile prices.

Key Rating Strengths

Experienced promoters with long and long track record of operations: The promoters have an experience of more than a decade in the business of milk processing. Being in the industry for so long has helped the promoters to gain adequate acumen about the business which aids in the smooth operations of STSL. Comfortable capital structure: The capital structure continues to remain comfortable owing to low dependence on external borrowings. The overall gearing ratio stood at 0.64x as on March 31, 2018.

Growing demand for milk and milk products: In recent years, with the increasing consumer needs, the uses of milk have been expanding from traditional dairy products to new products with high added value. It is expected that this trend will lead to further growth in milk consumption

Analytical approach: Standalone

Applicable Criteria:

[Policy in respect of Non-cooperation by issuer](#)

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

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

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

About the Company

STDSL is a co-operative society established in May 16, 2008. It is engaged in the business of processing of milk at its facilities located at Nasik, Maharashtra with an installed capacity of 40000 liters per day (LPD).

Brief Financials (Rs. crore)	FY17 (Audited)	FY18 (Audited)
Total operating income	35.48	41.34
PBILDT	0.60	0.75
PAT	0.10	0.12
Overall gearing (times)	0.63	0.64
Interest coverage (times)	1.94	1.68

Status of non-cooperation with previous CRA:

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure 2

Annexure-1: Details of 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	-	-	-	3.87	CARE B; Stable; ISSUER NOT COOPERATING Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information
Term Loan-Long Term	-	-	October 2023	5.29	CARE B; Stable; ISSUER NOT COOPERATING Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	3.87	CARE B; Stable; ISSUER NOT COOPERATING Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	1)CARE B+; Stable (04-Apr-19)	1)CARE B+; Stable (04-Apr-18)	-	-
2.	Term Loan-Long Term	LT	5.29	CARE B; Stable; ISSUER NOT COOPERATING Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	1)CARE B+; Stable (04-Apr-19)	1)CARE B+; Stable (04-Apr-18)	-	-
3.	Fund-based - LT-Proposed fund based limits	LT	0.00	CARE B; Stable; ISSUER NOT COOPERATING Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	1)CARE B+; Stable (04-Apr-19)	1)CARE B+; Stable (04-Apr-18)	-	-

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.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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