



## Megha Marketing

Instruments	Amounts (Rs. crore <sup>*</sup> )	Rating action October 2014
Fund based facilities	7.5 (enhanced from Rs.5.0 crore)	[ICRA]BB (stable) reaffirmed; suspension revoked

ICRA has reaffirmed the long term rating of [ICRA]BB (pronounced ICRA double B)<sup>†</sup> assigned to the Rs.7.5 crore (enhanced from Rs.5.0 crore) fund based facilities of Megha Marketing ("MM"/ "the firm"). The outlook on the long term rating is stable. The rating suspension done in July 2014 has been revoked.

The rating reaffirmation continues to factor in the promoters' established presence in the packaged food industry and the diversified revenue stream from bottled water, aerated soft drinks, fruit juices and packaged snacks. The rating also takes into consideration the growth in aerated soft drinks segment during 2013-14 and the expected increase in the demand for this segment on account of presence of new flavored drinks such as ginger and jeera with limited competition from International and domestic players in such flavours. In addition, the strong distribution network of the company in Karnataka and the firm's plans to expand its operations with the setting up of its own depots in Tamil Nadu, Andhra Pradesh, Kerala, Maharashtra, Orissa and Goa is expected to improve the revenues and the profit margins going forward.

The rating is, however, constrained by the high competition which puts pressure on margins and limits pricing power in bottled water, fruit juices and packaged snacks segments. In addition, the seasonality in sales of bottled water and fruit juices has impacted the volumes during 2013-14. The rating is further constrained by the moderate financial profile of the firm marked by low profit margins, stretched capital structure, weak coverage indicators and stretched cash flows. The revenue growth in different segments and improvement in the financial profile will be the key rating sensitivities going forward.

### Entity Profile

Megha Marketing was incorporated in March 2006 with the objective of promoting and marketing products manufactured by Megha Springs Pvt. Ltd, Megha Bottling, Megha Fruit Processing Pvt. Ltd. and Mahima Shankar Processed Food Pvt. Ltd., all of which belong to the Shankar Group of Companies. The firm markets the products in four different segments viz bottled fruit juices under brand "Sip On", aerated beverages like club soda and soft drinks under brand "Bindu", packaged drinking water under brand "Bindu" and processed food items (mostly potato chips and packaged snacks) under the brand "Snak up". The group companies have their manufacturing units in Puttur (Karnataka). MM sells its products in Karnataka, Andhra Pradesh, Kerala, Tamil Nadu, Maharashtra, Goa and Orissa.

### Recent results

During 2013-14, the firm reported a net profit of Rs.0.5 crore on an operating income of Rs.106.5 crore as against a net profit of Rs.0.5 crore on an operating income of Rs.99.7 crore during 2012-13.

**October 2014**

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\* 100 lakhs = 1 crore = 10 millions

† For complete rating scale and definitions, please refer ICRA's website (www.icra.in) or other ICRA Rating Publications



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