

July 12, 2017

## Srichakra Milk products LLp

### Summary of rated instruments

Instrument*	Rated Amount (in crore)	Rating Action
Fund-based –Term Loan	5.00	[ICRA]BB- (Stable) re-affirmed
Fund-based –Cash Credit	2.00	[ICRA]BB- (Stable) re-affirmed
Unallocated	2.00	[ICRA]BB- (Stable) re-affirmed
<b>Total</b>	<b>9.00</b>	

\*Issuer did not co-operate; based on best available information.

^Instrument details captured under Annexure-1

### Rating action

ICRA has re-affirmed the long term rating of [ICRA]BB- (pronounced ICRA double B minus) assigned to Rs. 5.00 crore<sup>1</sup> term loan, Rs.2.00 crore cash credit and Rs.2.00 crore unallocated facilities of Srichakra Milk Products LLp (SMPLLp)<sup>†</sup>.

### Rationale

The rating action is based on the best available information. As part of its process and in accordance with its rating agreement with Srichakra Milk products LLp, ICRA has been trying to seek information from the company so as to undertake a surveillance of the ratings, but despite repeated requests by ICRA, the company's management has remained non-cooperative. In the absence of requisite information, ICRA's Rating Committee has taken a rating view based on best available information. In line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, the company's rating is now denoted as: "[ICRA]BB- ISSUER NOT COOPERATING". The lenders, investors and other market participants may exercise appropriate caution while using this rating, given that it is based on limited or no updated information on the company's performance since the time it was last rated.

### Key rating drivers

#### Credit Strengths

- Long experience of the promoters in the dairy industry
- Favorable demand outlook for milk products likely to result in revenue growth for the firm
- Significant growth in the operating income in 6M FY 2016 (Rs 63.29 crore of operating income achieved as compared to Rs 75.56 crore in FY 2015) on the back of increased distribution network
- Low working capital intensity of operations on account of low inventory maintained

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

**Credit Challenges**

- Weak financial profile characterized by low profitability and depressed coverage indicators, though some improvement observed in 6M FY 2016 on account of increase in the revenue from milk processing
- Highly competitive nature of the industry characterized by presence of large number of organized and unorganized players
- Susceptibility of milk production to external factors such as weather conditions and outbreak of cattle diseases
- Vulnerability to adverse changes in Government policies towards dairy products

**Description of key rating drivers highlighted above**

The firm is engaged in the processing of milk. The promoters of the firm have long standing experience in the dairy industry and the favorable demand outlook for milk products is likely to result in revenue growth for the firm in the near to medium term.

However, the industry is volatility in availability and prices of raw milk to external factors such as weather conditions, outbreak of cattle diseases and changes in Government policies which may keep the company's margins under check.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria****Corporate Credit Ratings: A Note on Methodology****About the company:**

Srichakra Milk Products LLP (SMP) was set up in 2014 by Mr Chepuri Mallikarjunarao. The firm is engaged in the processing of milk having a capacity of around 1 lakh litre per day (LLPD). The firm currently has two manufacturing units each having a capacity of around 50000 LPD. The firm started its business by trading in raw milk which was purchased from farmers and supplied to cooperatives. In October 2014, the firm took a unit on lease having a capacity of 50 kl per day and started milk processing. Later the firm started setting up its own manufacturing unit at West Godavari which became operational in April 2015.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:  
Table:**

S.No	Name of Instrument				Current Rating (2018)	Chronology of Rating History for the past 3 years		
		Type (long term/ Short term)	Rated amount (Rs. crore)	Amount Outstanding (Rs. Crore)	Month-year & Rating	Month- year & Rating in FY2017	Month- year & Rating in FY2016	Month- year & Rating in FY2015
					<b>July 2017</b>	-	<b>December 2015</b>	<b>December 2014</b>
<b>1</b>	Cash Credit	LT	2.00	-	[ICRA]BB- (Stable)	-	[ICRA]BB-	-
<b>2</b>	Term Loan	LT	4.00	-	[ICRA]BB-- (Stable)	-	[ICRA]BB-	-
<b>3</b>	Unallocated	LT	2.00	-	[ICRA]BB-- (Stable)	-	[ICRA]BB-	-

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**\*Annexure-1**  
**Details of Instrument**

<b>Name of the instrument</b>	<b>Date of issuance ^</b>	<b>Coupon rate ^</b>	<b>Maturity Date ^</b>	<b>Size of the issue</b>	<b>Rating assigned, along with Rating Outlook</b>
Cash Credit	-	-	-	2.00	[ICRA]BB-(Stable)
Term Loan	-	-	-	4.00	[ICRA]BB-(Stable)
Unallocated	-	-	-	2.00	[ICRA]BB-(Stable)

Source: Srichakra Milk products LLP



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About ICRA Limited:

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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