



## Press Release

### Shyam Enterprises

October 20, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Previous Ratings	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	41.67	IVR BB/ Stable (IVR Double B, with Stable Outlook)	IVR BB/ Stable (IVR Double B, with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	3.00	IVR A4 (IVR A Four)	IVR A4 (IVR A Four)	Reaffirmed	Simple
<b>Total</b>	<b>44.67</b>	<b>Rupees Forty Four Crores and Sixty Seven Lakhs Only</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed long-term rating at IVR BB with a Stable outlook and short-term rating at IVR A4 for the bank loan facilities of Shyam Enterprises (SE).

The rating continues to draw comfort from the established track record of operations and experienced management, fund support from partners and partner group company, established brand presence and distribution network and moderate financial risk profile during FY2023. However, these strengths are partially offset by decline in operating profitability margins and overall gearing, working capital intensive nature of operations, partnership nature of entity and susceptibility of operating margin to volatile input prices and government regulations.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes SE's will continue to benefit from its operational track record in the business, established brand presence and demand value added milk products. The industry outlook is also improving on account of increasing population, increase in per capita consumption, increase in expenditure on package food, brand awareness, urbanization & increase in nuclear families and government support.

IVR has principally relied on the standalone audited financial results of SE upto 31 March 2023 and projected financials for FY24, FY25 and FY26, and publicly available information/clarifications provided by the firm's management.

#### Key Rating Sensitivities:



## Press Release

### Upward Factors

- Substantial improvement in the scale of operations and EBITDA margins above 3.00%
- Improvement in debt protection metrics
- Sustenance of the overall gearing below 1.20x

### Downward Factors

- Significant reduction in the scale of operations and profitability margins,
- Deterioration in debt protection metrics and overall gearing

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Established track record of operations and experienced management:**  
The firm commenced its operations in 1982 under the guidance of Mrs. Jamnotri Gupta and has a successful track record of more than four decades in the existing line of business. Overall activities of SE are managed by four partners. The partners are ably supported by qualified and well experienced management team. It is a family run business. Over the years they have built strong relationships with customers and suppliers.
- **Fund support from partners and partner group company:**  
The firm has received corporate guarantee of Rs. 43.45 crore from group company. SBW Udyog Limited (IVR BBB/Stable/A3+) who is also one of the partners in firm with 40% share for the bank facilities availed from State Bank of India. Other partners have provided support to firm by infusion of unsecured loan and equity. The interest free unsecured loan from partners stood at Rs 7.11 crore in FY2023.
- **Established brand presence and distribution network:**  
It is an organized player in the milk processing industry and has created a significant brand presence in Uttar Pradesh, Madhya Pradesh, Delhi, Jharkhand and West Bengal. The firm has an established network of 240 authorized dealers and distributors of milk and milk products. The established distribution network and brand loyalty of the end consumers helped maintain its strong market position.
- **Moderate financial risk profile:**  
The total operating income (TOI) improved by ~75.72% to Rs. 250.20 crore in FY2023 from Rs. 142.38 crore in FY2022. The tangible networth remained moderate Rs. 37.67 crore in FY2023 (FY2022: Rs. 39.10 crore).

#### Key Rating Weaknesses



## Press Release

- **Decline in operating profitability margins and overall gearing:**  
The operating profit margins declined to 1.87% in FY2023 from 3.61% FY2022. The profitability margins declined due to increase prices of raw material prices of milk and other operating expenses. The overall gearing declined to 1.40x in FY2023 from 1.29x in FY2022.
- **Working capital intensive nature of operations:**  
Operations of the firm are working capital intensive, marked by its high operating cycle of 94 days for FY2023. The inventory days are high at around 85 days for FY2023, primarily due to high finished goods holding period of two to three months to cater demand for milk products and low collection period of 10 days in FY2023. The average fund based working capital utilization stood high at ~90.46% for last 12 months ending 30th September 2023.
- **Susceptibility operating margin to volatile input prices and government regulations:**  
Like all other agriculture-based products, production and pricing of milk and milk products is sensitive to environmental conditions and Government regulations. At times when there is shortage of liquid milk, the demand for SMP increases, leading to significant increase in its prices and vice versa. A steep decline in prices of SMP may lead to increase in inventory holding. Due to intense competition, agro climatic condition and government regulation the operating profit margins remains volatile.
- **Partnership nature of entity:**  
The firm is exposed to the limitations of being a partnership entity, such as frequent withdrawal of capital.

**Analytical Approach:** For arriving at the ratings, IVR has analysed SE's credit profile by considering the standalone financial statements of the firm.

### Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)  
[Criteria for Assigning Rating Outlook](#)  
[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

### **Liquidity – Adequate**

The firm has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 2.86 crore, as on 31 March 2023. The firm projected to generate cash accruals of Rs. 2.48 crore in FY2024 against a current portion of long-term debt



## Press Release

(CPLTD) of Rs. 1.85 crore. With adequate expected cash accruals against repayments, the liquidity position will remain adequate.

### **About the Company**

Shyam Enterprises (SE) was established in 1982 as body of individual and later converted to partnership firm in 1994. It is engaged in manufacturing dairy products like desi ghee, diary mix, liquid milk, curd and skimmed milk powder, under the brand name of “Shyam”. The manufacturing plant of the firm is situated in Bewa Road, Allahabad with a milk processing capacity of ~ 3 lakhs liters per day.

### **Financials (Standalone):**

For the year ended as on	(Rs. crore)	
	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	142.38	250.20
EBITDA	5.14	4.68
PAT	-0.71	-0.54
Total Debt	50.32	52.92
Tangible Networkth	39.10	37.67
EBITDA Margin (%)	3.61	1.87
PAT Margin (%)	-0.50	-0.22
Overall Gearing Ratio (x)	1.29	1.40

**Status of non-cooperation with previous CRA:** It is under ISSUER NOT COOPERATING Category by CARE Ratings via press release dated 19th January 2023 on account of non-submission of adequate information to review the rating.

**Any other information:** Not Applicable

### **Rating History for last three years:**

Sr. No	Type of Facilities	Current Ratings (Year 2023-24)	Rating History for the past 3 years



## Press Release

		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 19 Jan 2023	Date(s) & Rating(s) assigned in 2022-23 22 July 2022	Date(s) & Rating(s) assigned in 2021-22 04 May 2021	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based	Long Term	41.67	IVR BB/Stable (Reaffirmed)	IVR BB/Stable	IVR BBB (CE)/Stable Unsupported : IVR BB/Stable	IVR BBB (CE)/Stable Unsupported : IVR BB+/Stable	-
2.	Fund Based	Short Term	3.00	IVR A4 (Reaffirmed)	IVR A4	IVR A3+ (CE) Unsupported : IVR A4	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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## Press Release

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	40.00	IVR BB/Stable
GECL Term Loan	-	-	September 2024	1.67	IVR BB/Stable
SLC	-	-	-	3.00	IVR A4

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-Shyam-oct23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).