

Press Release

India Dairy Feeds Private Limited

22 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.06 Cr.
Long Term Rating	SMERA BB+/ Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 11.06 crore bank facilities of India Dairy Feeds Private Limited (IDFPL). The outlook is '**Stable**'.

Incorporated in 2014 by Mr. Anirban Nath, Indian Dairy Feeds Private Limited (IDFPL) is engaged in manufacturing of cattle feed with installed capacity of 200 metric tons per day (MTPD). IDFPL has entered into an agreement with Kaira District Co-operative Milk Producers' Union Ltd, referred to as Amul Dairy (Amul) from August 2016 for a period of 5 years where IDFPL has the exclusive right to manufacture the cattle feed for Amul in Eastern India and places as decided by Amul.

Key Rating Drivers

Strengths

Experienced management

The company was promoted by Mr. Anirban Nath with over a decade of experience in dairy business through group company (India Dairy Products Limited) and its established association with Amul since 2004.

Agreement with Amul Dairy

IDFPL has entered into an agreement with Kaira District Co-operative Milk Producers' Union Ltd, referred to as Amul Dairy from August 2016 for a period of 5 years, whereby Amul Dairy (Amul) will obtain cattle feed of different types produced by IDFPL, packed in HDPE bags or in different pack sizes as decided by Amul. IDFPL has the exclusive right to manufacture cattle feed for Amul in Eastern India and places as decided by Amul. In addition the company is also looking after the marketing of the cattle feeds in order to increase its presence outside West Bengal specially Assam, Jharkhand, Bihar etc.

Weaknesses

Modest scale of operations

The scale of operations were at modest levels in FY'2017 with revenues of around Rs. 10.03 crores. However, the company operated for only 5 months in the preceding year ended March 31, 2017. During the current year the company has achieved revenue of Rs 37.80 crs till January'18 (provisional).

Profitability is vulnerable to volatility in raw material prices

The prices of the major raw material like de-oiled rice bran maize, mustard oil cake, bajra are highly volatile in nature and these constitute around 80 percent of the total cost of sales. Hence, adverse movements in prices can have significant impact on operations and profitability.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of IDFPL.

Outlook: Stable

SMERA believes that company will continue to benefit over the medium term from experienced management and association with Amul Dairy. The outlook may be revised to 'Positive' in case the company registers growth in revenues and improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected revenue and profitability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	10.03	-	-
EBITDA	Rs. Cr.	0.81	-	-
PAT	Rs. Cr.	(0.57)	-	-
EBITDA Margin	(%)	8.10	-	-
PAT Margin	(%)	(5.64)	-	-
ROCE	(%)	2.61	-	-
Total Debt/Tangible Net Worth	Times	3.00	-	-
PBDIT/Interest	Times	1.55	-	-
Total Debt/PBDIT	Times	11.30	-	-
Gross Current Assets (Days)	Days	155	-	-

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.13	SMERA BB+/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.44	SMERA BB+/Stable

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.49	SMERA A4+
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