

Press Release

India Dairy Feeds Private Limited

May 10, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs. 11.06 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Upgraded from ACUITE BB+/Stable)
Short Term Rating	ACUITE A3 (Upgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BBB-**' (**read as ACUITE triple B minus**) from '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating to '**ACUITE A3**' (**read as ACUITE A three**) from '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.11.06 crore bank facilities of INDIA DAIRY FEEDS PRIVATE LIMITED (IDFPL). The outlook is '**Stable**'.

The upgrade is driven by the expectation of improvement on the back of its established relationship with Amul Dairy. Acuité believes that the company will sustain the growth in revenues and profitability margins over the medium term.

Incorporated in 2014 by Mr. Anirban Nath, IDFPL is engaged in the manufacturing of cattle feed with installed capacity of 200 metric tons per day (MTPD). IDFPL has entered into a bipartite agreement from August 2016 for a period of 5 years which has been converted into tripartite agreement in December 2018 between IDFPL, Kaira District Co-operative Milk Producers' Union Limited and Gujarat Co-operative Milk Marketing Federation Limited, referred to as Amul Dairy (Amul), for a period of 5 years from December 2018 where IDFPL has the exclusive right to manufacture the cattle feed for Amul in Eastern India and places as decided by Amul.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of IDFPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

IDFPL is promoted by Mr. Anirban Nath having more than a decade of experience in dairy business through its group company (India Dairy Products Limited) and its established association with Amul Dairy since 2004. The company is strategically important to Amul, being the only company that undertakes manufacturing of cattle feeds in the eastern parts of India. The strategic importance is further demonstrated with IDFPL and Amul entering in five year tripartite agreement with latest being signed on December 2018, for a period of 5 years.

• Agreement with Amul Dairy

IDFPL has entered into tripartite agreement with Kaira District Co-operative Milk Producers' Union Limited and Gujarat Co-operative Milk Marketing Federation Limited, referred to as Amul Dairy, whereby Amul Dairy (Amul) will obtain cattle feed of different types produced by IDPL, 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, especially Assam, Jharkhand and Bihar, among others.

Weaknesses

- **Profitability is vulnerable to volatility in raw material prices**

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

Liquidity Position:

The liquidity position is healthy marked by healthy net cash accruals vis-a-vis low debt repayment obligations. The working capital cycle is prudent marked by Gross Current Assets (GCA) of 50 days as on 31 March, 2018. The company receives payment from Amul within 15-20 days, while inventories are generally kept between 20-30 days. The prudent working capital cycle is further demonstrated by the average Cash Credit utilisation of ~ 75 percent for the past six month ended April 2019.

Outlook: Stable

Acuité believes that IDFPL will maintain 'Stable' outlook over the medium term from experienced management and its 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	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	51.26	10.03
EBITDA	Rs. Cr.	3.41	0.81
PAT	Rs. Cr.	0.76	-0.57
EBITDA Margin	(%)	6.66	8.07
PAT Margin	(%)	1.48	-5.67
ROCE	(%)	14.32	3.50
Total Debt/Tangible Net Worth	Times	1.95	3.00
PBDIT/Interest	Times	4.45	1.54
Total Debt/PBDIT	Times	2.14	11.34
Gross Current Assets (Days)	Days	36	155

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-40.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Feb-2018	Cash Credit	Long Term	4.13	ACUITE BB+ / Stable (Assigned)
	Term Loan	Long Term	6.44	ACUITE BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	0.49	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.13	ACUITE BBB- /Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.11 (reduced from 6.44)	ACUITE BBB- /Stable (Upgraded)
Bank guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.49	ACUITE A3 (Upgraded)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.33	ACUITE BBB- /Stable (Assigned)

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About Acuité Ratings & Research:

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