

Press Release

India Dairy Feeds Private Limited

January 13, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.57	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	0.49	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	11.06	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs.11.06 Cr bank facilities of India Dairy Feeds Private Limited. The outlook is '**Stable**'.

Rationale for the rating

The rating continues to reflect the extensive experience of the management and the strong association with AMUL. The rating also considers the healthy business risk profile coupled with efficient working capital management. However, these strengths are partially offset by the above average financial risk profile and customer concentration risk.

About the Company

Incorporated in 2006, India Dairy Feeds Private Limited (IDFPL) is promoted by Mr. Anirban Nath and Mrs. Sushmita Nath. The company is engaged in the manufacturing and packing of cattle feed of different varieties in high density polyethylene (HDPE) bags or any other packing material as suggested by Gujarat Co-operative Milk Marketing Federation Limited (GCMMFL), referred to as Anand Milk Union Limited (Amul) Dairy as per the standard formulation for the Amul brand. The company has a manufacturing capacity of 200 metric tons per day (MTPD) located at Bankura, West Bengal.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of IDFPL while arriving at the rating.

Key Rating Drivers

Strengths

Experienced management and strong association with AMUL -

IDFPL is promoted by Mr. Anirban Nath and Mrs. Sushmita Nath having more than a decade of experience in dairy business through its group company which is India Dairy Products Limited (IDPL) and its established association with Amul Dairy since 2004. IDFPL has entered into an agreement with Kaira District Co-operative Milk Producers' Union Ltd, referred to as Amul Dairy from December 2018 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.

Healthy scale of operation coupled with comfortable profitability margin

The revenue of the company witnessed a 20.64 per cent growth in FY2022, its revenue increased to Rs.109.89 crore in FY2022 as compared to Rs.91.09 crore in the previous year. This growth of the revenue is majorly due to increase in average realization per unit during FY2022 backed by continuous increase in price of cattle feed backed by increasing demand from the domestic market. Further, the average realization of the cattle feed has also improved during the 1st half of FY2023, and this growth momentum will maintain going forward. The company has booked around Rs.100.84 crore of sales till 31st Dec 2022 (Prov.).

The operating profitability margin of the company has slightly improved and stood comfortable to 5.52 per cent in FY2022 as compared to 5.30 per cent in the previous year. This increase in profitability margin is on account of decrease in raw material price during FY2022. Going forward, Acuité believes, that the profitability margin of the company will increase and sustained at comfortable levels over the medium term backed by steady demand and stable realization. The operating profitability margin has at comfortable level of 5.23 per cent during 7MFY2023.

The net profitability margin of the company stood healthy at 3.28 per cent in FY2022 as compared to 2.35 per cent in the previous year.

Efficient working capital management

The working capital management of the company has efficiently managed which is marked by comfortable gross current asset (GCA) days of 58 days in FY2022 as compared to 37 days in the previous year. However, this increase in GCA days is on account of increase in inventory days to 23 days in FY2022 as compared to 18 days in the previous year. The debtor days of the company has also stood comfortable 13 days in FY2022 as compared to 02 days in the previous year. Acuité believes that the working capital of the company would be maintained at efficient levels over the medium term backed by the efficient debtor's management policy of the promoters.

Weaknesses

Above average financial risk profile

The financial risk profile of the company is marked by moderate net worth, comfortable gearing and strong debt protection metrics. The net worth of the company stood moderate at Rs.10.58 crore in FY 2022 as compared to Rs 6.98 crore in FY2021. This improvement in networth is mainly due to the retention of profit. The gearing of the company stood at 0.86 times as on March 31, 2022 when compared to 0.68 times as on March 31, 2021. This further increase in gearing is mainly on account of increase in short term debt during the period. Interest coverage ratio (ICR) is strong and stood at 12.93 times in FY2022 as against 6.50 times in FY2021. The debt service coverage ratio (DSCR) of the company also stood comfortable at 3.19 times in FY2022 as compared to 2.40 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.54 times in FY2022 as compared to 0.74 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain comfortable on account of steady net cash accruals against the long term debt obligations.

Customer concentration risk

IDFPL is exposed to customer concentration risk as the company is dependent on Amul Dairy to drive its revenue profile. Acuité believes that any customer concentration risk exposes the entity to risks related to changes in the requirements and policies of the customers. However, this is mitigated from the agreements entered into with their customers, which provides adequate revenue visibility over the medium term.

Rating Sensitivities

- Scaling up of operations while maintaining their profitability margin
- Sustenance of their conservative capital structure
- Working capital management

Material covenants

None

Liquidity Position Adequate

The company has adequate liquidity marked by comfortable net cash accruals of Rs.4.86 crore as against Rs.1.20 crore long term debt obligation during FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 5.90 crore to Rs. 8.90 crore during 2022-24 as against Rs.1.80 crore in FY2023 in FY2024 of long term debt obligations respectively. The current ratio of the company stood moderate at 1.22 times in FY2022. The working capital management of the company is marked by comfortable Gross Current Asset (GCA) days of 58 days in FY2022. The bank limit of the company has been ~79 per cent utilized during the last six months ended in November 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuité believes that IDFPL will maintain 'Stable' outlook over the medium term from experienced management, the company's association with Amul Dairy and efficient working capital operations. The outlook may be revised to 'Positive' in case the company registers significant improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than expected revenue and profitability, leading to affect the accruals and liquidity or further deterioration in financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	109.89	91.09
PAT	Rs. Cr.	3.60	2.15
PAT Margin	(%)	3.28	2.35
Total Debt/Tangible Net Worth	Times	0.86	0.68
PBDIT/Interest	Times	12.93	6.50

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

Care Ratings vide its Press Release dated 20.09.2022, reaffirmed the company to CARE B; INC.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Oct 2021	Cash Credit	Long Term	5.63	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Long Term	0.30	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	0.49	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	4.64	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
28 Jul 2020	Bank Guarantee	Short Term	0.49	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	4.64	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.30	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	5.63	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.49	ACUITE A3+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.63	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.30	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.64	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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