

Press Release
INDIA DAIRY FEEDS PRIVATE LIMITED
April 12, 2024
Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	4.14	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	10.57	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	0.86	-	ACUITE A3+ Assigned
Bank Loan Ratings	0.49	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	16.06	-	-

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'.

ACUITE has assigned 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.5 Cr. bank facilities of India Dairy Feeds Private Limited. The outlook is 'Stable'.

Rationale of the Rating

The rating reaffirmation reflects steady business risk profile of the company reflected by increased scale of operations at Rs. 142.31 Cr. in FY2023 against Rs.109.89 Cr. in FY2022. . The company has booked around Rs.172.88 Crore of revenues till 29th February 2024 (Provisional). During FY2023, IDFPL has increased its capacity from 200 TPD to 400 TPD which was capitalised in March 2023. The increase in revenues in FY2024 is due to stabilisation of operations of the enhanced facilities in FY2024. The operating profitability margin of the company has improved and stood comfortable at 6.34 per cent in FY2023 as compared to 5.52 per cent in the previous year.

Acuite further notes that the financial risk profile has improved at the back of comfortable capital structure, albeit a slight weakness in debt protection metrics due to long term debts during FY2023. The rating also derives comfort from the improving liquidity position of the company marked by surplus cash accruals, absence of any new term debts to be taken and financial flexibility of the management to infuse funds.

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 customer concentration risk.

About the Company

Incorporated in 2006, Kolkata based 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 400 Tonnes per day (TPD) located at Bankura, West Bengal.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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 had entered into an agreement with Kaira District Co-operative Milk Producers' Union Ltd, referred to as Amul Dairy, 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. Presently, though, due to continued relationship with Amul, the company has an open ended arrangement with Amul, and no assured off-take agreement exists with them. 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 29.50 per cent growth in FY2023, its revenue increased to Rs.142.31 crore in FY2023 as compared to Rs.109.89 Cr. in the previous year. This growth of the revenue is majorly due to increasing demand for cattle feed and better realization. The company has booked around Rs.172.88 Crore of revenues till 29th February 2024 (Provisional). During FY2023, IDFPL has increased its capacity from 200 TPD to 400 TPD which was capitalised in March 2023. The increase in revenues in FY2024 is due to stabilisation of operations of the enhanced facilities in FY2024. The operating profitability margin of the company has improved and stood comfortable at 6.34 per cent in FY2023 as compared to 5.52 per cent in the previous year. This increase in profitability margin is on account of decrease in raw material price during FY2023 and better realization due to Amul branding. Going forward, Acuite believes, that the profitability margin of the company will increase and be sustained at comfortable levels over the medium term backed by steady demand and stable realization. The net profitability margin of the company stood healthy at 3.71 per cent in FY2023 as compared to 3.28 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 days of 37 days in FY2023 as compared to 58 days in the previous year. This decrease in GCA days is on account of low inventory days of 21 days in FY2023 as compared to 23 days in the previous year. The debtor days of the company has also stood comfortable 6 days in FY2023 as compared to 13 days in the previous year. Against this the Company enjoys credit from its suppliers as evident from creditor days which stood at 32 days in FY 2023 against 31 days in FY 2022. Acuite believe that the working capital requirement of the Company would remain at similar comfortable levels over the medium term.

Weaknesses

Moderate 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 healthy at Rs.15.81 crore in FY 2023 as compared to Rs. 10.58 crore in FY2022. This improvement in networth is mainly due to the retention of profit. The adjusted gearing of the company stood at 0.99 times as on March 31, 2023 when compared to 0.86 times as on March 31, 2022. The unsecured loans of Rs. 1.61 Cr. is being treated as quasi equity since the same has been retained in the business over a substantial period of time. The slight increase in gearing is mainly on account of increase in long term debt during the period. Interest coverage ratio (ICR) is strong and stood at 12.06 times in FY2023 as against 12.93 times in FY2022. The debt service coverage ratio (DSCR) of the company also stood comfortable at 2.69 times in FY2023 as compared to 3.19 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.41 times in FY2023 as compared to 0.54 times in the previous year. Going forward, Acuite believes the financial risk profile of the company will remain comfortable on account of steady net cash accruals and absence of no major capex plan.

Customer concentration risk

IDFPL is exposed to customer concentration risk as the company is dependent on Amul Dairy to drive its revenue profile. Acuite 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
- Sustainance of their conservative capital structure
- Working capital management

Liquidity Position

Adequate

The company has adequate liquidity marked by healthy net cash accruals of Rs.6.39 crore as against Rs.1.90 crore long term debt obligation during FY2023. The cash accruals of the company are estimated to improve at the back of improving profitability as against Rs.2.14 crore annually in FY2023 and FY2024 of long-term debt obligations respectively. The current ratio of the company stood moderate at 0.92 times in FY2023. The management has brought in unsecured loans in the business. The company does not have any debt funded capex plans. The working capital management of the company is marked by comfortable Gross Current Asset (GCA) days of 37 days in FY2023. The bank limit of the company has been ~64 per cent utilized during the last six months ended in February 2024. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against minimum long debt repayments, low working capital requirements, albeit a low but improving current ratio over the medium term.

Outlook: Stable

Acuite 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 and improvement in debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than expected revenue and profitability or elongation in working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	142.31	109.89
PAT	Rs. Cr.	5.28	3.60
PAT Margin	(%)	3.71	3.28
Total Debt/Tangible Net Worth	Times	0.99	0.86
PBDIT/Interest	Times	12.06	12.93

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

Not Applicable

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
13 Jan 2023	Cash Credit	Long Term	5.63	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	4.64	ACUITE BBB Stable (Reaffirmed)
	Proposed Term Loan	Long Term	0.30	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	0.49	ACUITE A3+ (Reaffirmed)
19 Oct 2021	Bank Guarantee/Letter of Guarantee	Short Term	0.49	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Long Term Loan	Long Term	0.30	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	4.64	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	5.63	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.49	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.86	ACUITE A3+ Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	Simple	1.10	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2024	Simple	0.02	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.63	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2029	Simple	3.82	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2029	Simple	4.14	ACUITE BBB Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Nikita J Mittal Manager-Rating Operations Tel: 022-49294065 nikita.mittal@acuite.in	

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.