

Press Release

Govind Milk and Milk Products Private Limited

April 29, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	107.08	ACUITE BBB- Positive Reaffirmed Stable to Positive	-
Total Outstanding Quantum (Rs. Cr)	107.08	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) on the Rs.107.08 Cr. bank facilities of Govind Milk and Milk Products Private Limited (GMPL). The outlook has been revised to 'Positive' from '**Stable**'.

Rating Rationale

The outlook has been revised basis the improvement in operating performance and moderate financial risk profile of GMPL. The Company's operating income stood at Rs.599.26 Cr in 9MFY22 as against Rs.668.02 Cr in FY2021. The Company is expected to generate a revenue of ~Rs.800 Cr by year end. GMPL's financial risk profile continues to remain moderate marked by strong net worth, moderate gearing coupled with comfortable debt protection metrics and coverage indicators.

About the Company

Phaltan based Govind Milk and Milk Products Private Limited (GMPL) was incorporated in 1996 by Mr. Sanjeevraje Naik Nimbalkar. It is engaged in milk processing, production and marketing of dairy products. The company has facilities based in Phaltan, Yamkanmardi, Mumbai and Ahmednagar with a processing capacity of 10 Lakhs Litres Per Day (LLPD).

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of GMPL to arrive at the rating.

Key Rating Drivers

Strengths

- Established player in dairy products with a strong regional presence

GMPL, led by Mr. Sanjeevraje Naik Nimbalkar, has been operating in dairy business for more than 2 decades. The company has an established procurement and distribution network for milk and milk products from farmers. GMPL has over 240 collection centres and 10 chilling centres all over India to cater to the demand. GMPL which has traditionally catered in the

Maharashtra, Gujarat, Karnataka and Goa region backed by strong brand presence and high demand prospects due to increasing consumption of milk products has started marketing its products in Northern and North Eastern states such as Haryana, Punjab Rajasthan, Tripura, Assam, Meghalaya domestically and in Middle East region internationally by partnering with hypermarket chains like Lulu from FY2021. The company exports to Gulf countries like Bahrain, Qatar, Abu Dhabi, Dubai, Oman, etc under its own brand name. The company has generated revenue of ~Rs.35 Cr from exports of its products in FY2022. Acuité believes that GMPL will continue to benefit from the company's established presence and brand recognition in the industry and among the consumers supporting its business risk profile over the medium term.

- **Moderate business risk profile**

GMPL's business risk profile is supported by a diversified revenue stream such as packaged milk, cream, butter, ghee, curd to name a few. The company caters to reputed companies such as, Abbott Healthcare Private Limited, Mother Dairy Fruit & Vegetable Private Limited amongst others. The company has been able to overcome the impact of covid-19 by partnering with several new retail chains, E-commerce websites to sell its products. At the same time, it has also started focusing on Middle Eastern region as a source of growth. The company has been able to add several new companies to its customer portfolio such as Baskin Robins, Ferrero Rocher, Dandy's and Nestle to name a few. While the company's robust distribution network has helped to reinforce its market position as reflected in its operating income of Rs.599.26 Cr in 9MFY22 as against Rs.668.02 Cr in FY2021 and Rs.693.29 Cr in FY2020. The Company is expected to generate a revenue of ~Rs.800 Cr by year end. The Company's operating margins stood at 3 percent in 9MFY2022 as against 4.25 percent in FY2021 and 3.63 percent in FY2020. The net profitability margins improved to 1.21 percent in FY2021 as against 1.1 percent in FY2020.

- **Moderate financial risk profile**

GMPL financial risk profile is moderate marked by strong net worth, moderate gearing coupled with comfortable debt protection metrics and coverage indicators. The company's net worth stood at Rs.88.05 Cr as on March 31, 2021 as against Rs.80.01 Cr as on March 31, 2020. The net-worth improved due to accretion of profits to reserves. The company follows a moderately aggressive financial policy, as on March 31, 2021, the overall gearing and total outside liabilities to tangible net worth (TOL/TNW) stood at 1.25 times and 2 times respectively as on March 31, 2021 as against 1.09 times and 1.97 times respectively as on March 31, 2020. The improved profitability, coupled with moderate debt level, has led to comfortable debt protection measures. The NCA/TD and interest coverage ratio for FY2021 stood at 0.15 times and 2.81 times respectively for FY2021 as against 0.11 times and 2.90 times respectively for FY2020. The debt service coverage ratio stood at 1.51 times in FY2021 as against 1.50 times in FY2020. The Debt-EBITDA ratio stands at 3.79 times in FY2021 as against 3.25 times in FY2020. Acuité believes that the sustainability in the financial risk profile of the company will be a key rating sensitivity factor.

Weaknesses

- **Susceptibility to changes in government regulations and environmental conditions and milk prices**

GMPL, like all dairy players, is susceptible to government regulations such as ban on skimmed milk powder (SMP) exports and removal of export incentives. Furthermore, it is susceptible to failure in milk production because of external factors such as cattle diseases. At the same time, it is also susceptible to volatile milk prices

- **Highly competitive industry**

The dairy industry is highly fragmented with large number of unorganised players. The company also faces competition from some of the big players such as Amul, Parag, Karnataka Milk Federation, among others in the organised segment. While the dairy segment has attracted

significant PE investments in the past, which has supported the companies in the segment, it has also increased the competitive intensity among the players. This limits the company's ability to significantly improve the margins. Also, ensuring competitive remuneration to the farmers for procurement of milk would be a key sensitivity for maintaining a steady supply chain.

Rating Sensitivities

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

Material covenants

None

Liquidity Position: Adequate

The company has adequate liquidity position marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.16.12 Cr in FY2021 and Rs.15.61 Cr in FY2020, while its' maturing debt obligation were in the range of Rs.7.2Cr to Rs.7.38Cr for the same period. The cash accrual of the company is estimated to remain around Rs.17.00 Cr to Rs.24.00 Cr during 2022-23 against repayment obligations of around Rs.6-11 Cr during the same period. The company's working capital efficiency improved in FY2021 marked by the gross current asset (GCA) days of 91 days for the period as against 74 days in FY2020. The average bank limit utilization stood at around 85.91 per cent for six months ended February, 2022. The company maintained unencumbered cash and bank balances of Rs.3.21 Cr as on 31 March 2021. The current ratio of the company has improved to 1.21 times as on 31 March 2021 from 1.13 times as on March 31, 2020.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual vis-à-vis its repayment obligations.

Outlook: Positive

Acuité believes that GMPL will benefit from its improved operating performance and moderate financial risk profile over the medium term. The rating may be upgraded on maintenance of current scale of operation without deterioration in profitability, capital structure and debt protection metrics. Conversely, the outlook may be revised to 'Stable' if the company's revenue growth and profitability weaken significantly, or if the financial risk profile deteriorates due to higher-than-expected increase in debt-funded capex or working capital requirements resulting in deterioration in the overall capital structure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	668.02	693.29
PAT	Rs. Cr.	8.07	7.64
PAT Margin	(%)	1.21	1.10
Total Debt/Tangible Net Worth	Times	1.25	1.09
PBDIT/Interest	Times	2.81	2.91

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

CRISIL, vide its press release dated March 31, 2022 had denoted the rating of 'BB+' ; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Apr 2021	Term Loan	Long Term	16.95	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	4.77	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	5.19	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	60.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	6.39	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.13	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	9.86	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.79	ACUITE BBB- Stable (Reaffirmed)
05 Feb 2021	Cash Credit	Long Term	60.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.20	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.09	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	3.63	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.70	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.38	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
19 Nov 2019	Term Loan	Long Term	7.49	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.03	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.94	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	60.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.54	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	7.54	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.77	ACUITE BBB- Stable (Reaffirmed)

20 Aug 2019	Cash Credit	Long Term	52.72	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	6.48	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	5.49	ACUITE BBB- Stable (Reaffirmed)
		Long		ACUITE BBB- Stable
01 Jun 2018	Cash Credit	Term	43.60	(Assigned)
	Term Loan	Long Term	5.05	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	9.03	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	9.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	8.19	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.13	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	68.00	ACUITE BBB- Positive Reaffirmed Stable to Positive
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.80	ACUITE BBB- Positive Reaffirmed Stable to Positive
Bank of Maharashtra	Not Applicable	Term Loan	01-03-2016	9.60	30-09-2023	2.98	ACUITE BBB- Positive Reaffirmed Stable to Positive
Bank of Maharashtra	Not Applicable	Term Loan	01-12-2018	9.60	31-05-2024	4.50	ACUITE BBB- Positive Reaffirmed Stable to Positive
Bank of Maharashtra	Not Applicable	Term Loan	01-11-2019	9.60	31-05-2027	8.26	ACUITE BBB- Positive Reaffirmed Stable to Positive
State Bank of India	Not Applicable	Term Loan	01-08-2016	9.30	30-09-2021	0.59	ACUITE BBB- Positive Reaffirmed Stable to Positive
Bank of Maharashtra	Not Applicable	Term Loan	01-02-2021	8.50	29-02-2028	16.95	ACUITE BBB- Positive Reaffirmed Stable to Positive

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Simran Kesharwani Management Trainee-Rating Operations Tel: 022-49294065 simran.kesharwani@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@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.

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