



**Press Release**  
**Govind Milk And Milk Products Private Limited**  
**May 24, 2023**

**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	57.92	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	107.08	ACUITE BBB-   Stable   Reaffirmed   Positive to Stable	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	165.00	-	-

**Rating Rationale**

Acuité has assigned rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.57.92 crore bank facilities of Govind Milk and Milk Products Private Limited (GMPL).

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.107.08 crore bank facilities of Govind Milk and Milk Products Private Limited (GMPL).

The outlook has been revised from 'Positive' to '**Stable**'.

**Rationale for the reaffirmation and revision in outlook**

The revision in the outlook from 'Positive' to 'Stable' and reaffirming the rating considers the deterioration in profitability and financial risk profile due to more-than-anticipated increase in debt and working capital requirements resulting in deterioration in the overall capital structure. The company's operating profit margin stood at 2.73% in FY2023E as against 2.64% in FY2022 and 4.25% in FY2021. Further, the gearing level of the company increased to 1.47 times as on 31 March, 2023 as against 1.19 times as on 31 March, 2022.

**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 and Mumbai with a processing capacity of 10 lakh litres per day (LLPD).

**Analytical Approach**

Acuité 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 the 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 regions backed by a 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 the Middle East region 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.

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, paneer, SMP, flavoured milk, tetra pack lassi and buttermilk. The company caters to reputed companies such as, Abbott Healthcare Private Limited, Mother Dairy Fruit & Vegetable Private Limited amongst others. The company has 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 Robbins, Ferrero Rocher, Dandy Dairy, Parle Agro and Britannia, to name a few. The company's operating income stood at Rs.1059.93 crore in FY2023 as against Rs.831.65 crore in FY2022 registering a growth of ~27 percent. The increase in revenue is due to an increase in quantity sold and improvement in realisation.

### **Moderate financial risk profile**

The company has moderate financial risk profile marked by tangible net worth of Rs.95.76 crore as on 31 March, 2023 as against Rs.91.13 crore as on 31 March, 2022. The gearing level of the company increased to 1.47 times as on 31 March, 2023 as against 1.19 times as on 31 March, 2022. The total debt of Rs.108.19 crore consists of working capital borrowings of Rs.59.56 crore, unsecured loan from promoters of Rs.13.24 crore and term loan of Rs.35.39 crore as on 31 March, 2022.

The coverage ratios of the company are moderate with Interest Coverage Ratio (ICR) of 2.37 times for FY2023E against 2.44 times for FY2022. Also, the Debt Service Coverage Ratio (DSCR) stood at 1.05 times for FY2023E against 0.99 times for FY2022. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 2.28 times as on March 31, 2023 against 2.00 times as on March 31, 2022.

### **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. The company's operating profit margin stood at 2.73% in FY2023E as against 2.64% in FY2022 and 4.25% in FY2021.

#### **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

- Further deterioration in profitability margin
- Further deterioration in debt – protection metrics

## 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.11.14 crore in FY2022 and Rs.16.12 crore in FY2021, while its' maturing debt obligation were in the range of Rs.7.20 to Rs.11.34 crore for the same period. The cash accrual of the company is estimated to remain around Rs.14.27 crore to Rs.20.31 crore during 2023-25 against repayment obligations of around Rs.11.06 – 12.52 crore during the same period. The average bank limit utilization stood at around 89.14 per cent for ten months ended February, 2023. The company maintained unencumbered cash and bank balances of Rs.3.92 crore as on 31 March 2022. The current ratio of the company has stood at 1.13 times as on 31 March 2022.

## Outlook: Stable

Acuité believes that GMPL will maintain a 'Stable' outlook in the near to medium term on account of its established presence in dairy industry, experience of the promoters in the business supported by strong procurement capability and distribution network. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in its scale of operations, while also improving its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the scalability amidst intensifying competition in the area of operation, decline in revenues or profitability margins 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 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	831.65	668.02
PAT	Rs. Cr.	2.91	8.07
PAT Margin	(%)	0.35	1.21
Total Debt/Tangible Net Worth	Times	1.19	1.25
PBDIT/Interest	Times	2.44	2.81

### 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-52.htm>
- Entities In Manufacturing Sector:- <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

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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Apr 2022	Proposed Bank Facility	Long Term	5.80	ACUITE BBB-   Positive (Reaffirmed)
	Term Loan	Long Term	4.50	ACUITE BBB-   Positive (Reaffirmed)
	Term Loan	Long Term	0.59	ACUITE BBB-   Positive (Reaffirmed)
	Term Loan	Long Term	2.98	ACUITE BBB-   Positive (Reaffirmed)
	Term Loan	Long Term	8.26	ACUITE BBB-   Positive (Reaffirmed)
	Cash Credit	Long Term	68.00	ACUITE BBB-   Positive (Reaffirmed)
	Term Loan	Long Term	16.95	ACUITE BBB-   Positive (Reaffirmed)
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)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	68.25	ACUITE BBB-   Stable   Reaffirmed   Positive to Stable
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	26.75	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.59	ACUITE BBB-   Stable   Reaffirmed   Positive to Stable
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.48	ACUITE BBB-   Stable   Reaffirmed   Positive to Stable
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.40	ACUITE BBB-   Stable   Reaffirmed   Positive to Stable
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.95	ACUITE BBB-   Stable   Reaffirmed   Positive to Stable
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.41	ACUITE BBB-   Stable   Reaffirmed   Positive to Stable
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.93	ACUITE BBB-   Stable   Assigned
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.40	ACUITE BBB-   Stable   Assigned
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	23.84	ACUITE BBB-   Stable   Assigned



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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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