



Press Release
GOVIND MILK AND MILK PRODUCTS PRIVATE LIMITED
January 31, 2024

Rating Assigned, Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.59	ACUITE BBB- Reaffirmed & Withdrawn	-
Bank Loan Ratings	5.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	156.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	2.41	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	161.00	-	-
Total Withdrawn Quantum (Rs. Cr)	9.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.156.00 crore bank facilities of Govind Milk and Milk Products Private Limited (GMPL). The outlook is '**Stable**'.

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.5.00 crore bank facilities of Govind Milk and Milk Products Private Limited (GMPL). The outlook is '**Stable**'.

Acuite has reaffirmed and withdrawn the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.6.59 crore bank facilities of Govind Milk and Milk Products Private Limited (GMPL). The rating has been withdrawn on Acuite's policy of withdrawal of ratings after receiving the client's withdrawal request.

Acuite has withdrawn the rating of the Rs. 2.41 Cr Bank Facilities of Govind Milk and Milk Products Private Limited (GMPL). The same is withdrawn without assigning any rating as the Instrument is fully repaid and no longer an outstanding obligation of the company. The rating is being withdrawn on account of the request received from the company and the NDC received from the banker's as per Acuite's policy on withdrawal of ratings as applicable to the respective facility/instrument.

Rationale for Rating

The rating reaffirmation takes into consideration the improvement recorded in GMPL's operating performance in FY2023 and its continuing moderate financial risk profile. The company's revenue grew to Rs.1067.39 Cr in FY2023 from Rs.831.65 Cr in FY2022. The operating profit margins improved marginally and stood at 2.71 percent in FY2023 against 2.64 percent in FY2022. The financial risk profile is moderate with moderate debt protection metrics and gearing levels. The gearing levels stood at 1.73 times as on March 31, 2023 as against 1.19 times as on March 31, 2022. Further, the rating continues to factor in GMPL's established track record of operations in the dairy products industry, its strong regional presence and the efficient working capital operations marked by GCA days of 67 days in FY2023 against 69 days in FY2022.

The rating is however, constrained due to its susceptibility to changes in government regulations, environmental conditions, exposure to geographical concentration risk and

presence in a highly competitive industry.

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).

Unsupported Rating

None

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 the company 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. GMPL has introduced two new CMF depo in Delhi and Ambala to capture the entire North India Market. 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. GMPL has introduced new products in FY2024 such as flavoured milkshakes which will aid in to increase the company's top line and bottom line. 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. In the current year, company added new customers such as Mondelez India Foods Pvt. Ltd., Barry Callebaut, Dairy Day Ice Creams, etc. With strong customer's presence, the company's operating income is improving YoY and stood at Rs.1067.39 crore in FY2023 as against Rs.831.65 crore in FY2022 registering a growth of ~28.35 percent. The increase in revenue is due to an increase in quantity sold and improvement in realisations.

Moderate financial risk profile

The company has moderate financial risk profile marked by tangible net worth of Rs.96.40 crore as on 31 March, 2023 as against Rs.91.13 crore as on 31 March, 2022. The gearing level of the company moderated to 1.73 times as on 31 March, 2023 from 1.19 times as on 31 March, 2022. The total debt of Rs.166.62 crore consists of working capital borrowings of Rs.94.26 crore, unsecured loan from promoters of Rs.15.50 crore, term loan of Rs.40.97 crore and current maturities of the term loan is Rs.15.89 Cr as on 31 March, 2023. The coverage ratios of the company are moderate with Interest Coverage Ratio (ICR) of 2.23 times in FY2023 against 2.44 times in FY2022. Also, the Debt Service Coverage Ratio (DSCR) stood at 1.03 times in FY2023 against 0.99 times in FY2022. The total outside liabilities to tangible net worth

(TOL/TNW) of the company stood at 2.65 times as on March 31, 2023 against 2.00 times as on March 31, 2022.

Acuite believes the financial risk profile of GMPL will improve owing to no further major debt funded CAPEX over the medium term.

Efficient Working Capital Management

The working capital management of the company is efficient marked by comfortable gross current asset (GCA) days of 67 days in FY2023 as compared to 69 days in FY2022. The comfortable GCA days is on account of low debtor days of 9 days for FY2023 compared against 13 days for FY2022 and moderate inventory days of 49 days for FY2023 as against 42 days for FY2022. The creditor days of the company stood at 25 days for FY2023 as against 26 days for FY2022. Further, the working capital limits have been highly utilised at around 93.52 percent in the last twelve months ended November 2023.

Acuite believes that the working capital operations of GMPL will remain efficient over the medium term.

Weaknesses

Susceptibility to changes in government regulations, 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 2.71% in FY2023 and 2.64% in FY2022 as against 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

- Ability to sustain the growth in operating revenues and profitability margins.
- Any significant elongations in working capital cycle leading to deterioration in liquidity position or financial risk profile.

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.13.78 crore in FY2023 and Rs.11.14 crore in FY2022, while its' maturing debt obligation were in the range of Rs.12-88 to Rs.11.34 crore for the same period. The cash accrual of the company is estimated to remain around Rs.22.98 crore to Rs.34.58 crore during 2024-26 against repayment obligations of around Rs.15.89-14.19 crore during the same period. The average bank limit utilization stood at around 93.52 per cent for twelve months ended November, 2023. The company maintained unencumbered cash and bank balances of Rs.1.89 crore as on 31 March 2023. The current ratio of the company has stood at 1.04 times as on 31 March 2023.

Outlook: Stable

Acuite 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1067.39	831.65
PAT	Rs. Cr.	5.11	2.91
PAT Margin	(%)	0.48	0.35
Total Debt/Tangible Net Worth	Times	1.73	1.19
PBDIT/Interest	Times	2.23	2.44

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>
- 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
24 May 2023	Term Loan	Long Term	1.48	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	20.41	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	6.40	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.40	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	13.95	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.59	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	68.25	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.93	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	23.84	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	26.75	ACUITE BBB- Stable (Assigned)
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	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)
	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	3.20	ACUITE BBB- Stable (Reaffirmed)
		Long		ACUITE BBB- Stable

05 Feb 2021	Term Loan	Term	5.09	(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)
	Cash Credit	Long Term	60.00	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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	95.00	ACUITE BBB- Stable Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 May 2024	Simple	0.86	ACUITE BBB- Stable Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	23 Feb 2028	Simple	11.89	ACUITE BBB- Stable Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	20 Jan 2030	Simple	20.41	ACUITE BBB- Stable Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	29 May 2027	Simple	5.23	ACUITE BBB- Stable Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Jun 2029	Simple	22.02	ACUITE BBB- Stable Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	16 Nov 2030	Simple	0.59	ACUITE BBB- Stable Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	16 Nov 2030	Simple	5.00	ACUITE BBB- Stable Assigned
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Jun 2029	Simple	1.82	ACUITE BBB- Reaffirmed & Withdrawn
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	29 May 2027	Simple	1.17	ACUITE BBB- Reaffirmed & Withdrawn
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	08 Nov 2023	Simple	1.48	Not Applicable Withdrawn
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	08 Nov 2023	Simple	0.93	Not Applicable Withdrawn
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	23 Feb 2028	Simple	2.06	ACUITE BBB- Reaffirmed & Withdrawn

Bank of Maharashtra	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 May 2024	Simple	1.54	ACUITE BBB- Reaffirmed & Withdrawn
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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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