

Press Release

Elite Dairy Products

June 12, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.68 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 8.68 crore bank facilities of Elite Dairy Products. The outlook is '**Stable**'.

Based in Ujjain, Elite Dairy Products (EDP) was established in 2014 by Mr. Rajendra Jain and Mrs. Renu Jain. The firm will engage in processing of milk into cheese, butter, ghee and whey. The commercial operations of the firm are expected to begin from December 2018 with a capacity of handling around 23,000 liters of milk per day.

Key Rating Drivers

Strengths

- **Experienced management**

The partners have around two decades of experience in the dairy industry due to their association with their group company, Allied Industries, which is also engaged in similar lines of operations. Acuite believes that EDP will benefit from the experience of its management in establishing relationships with their key customers and suppliers.

Weaknesses

- **Project implementation risk**

Since operations are expected to commence from December 2018 onwards, the firm is exposed to project implementation and off take risk. Currently, the land acquisition and building structure has been completed which is financed through the partners funds. The next phase would be importing machinery, financed by the term loan. The total cost of the project is Rs.11.08 crore. Presently, around Rs.1.50 crore of the partners funds have been utilised. Any delays in the implementation can have adverse implications on of the firm.

- **Fragmented and competitive nature of business**

The firm will operate in intensely competitive and fragmented milk processing business with several organised and unorganised players present in the market.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Elite Dairy Products to arrive at the rating.

Outlook: Stable

Acuite believes that the outlook on EDP will remain 'Stable' over the medium term backed by the experience of the management. The outlook may be revised to 'Positive' in case of timely completion of the project without cost overruns. Conversely, the outlook may be revised to 'Negative' in case of inordinate project delays.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.00	0.00	0.68
EBITDA	Rs. Cr.	0.00	0.00	0.01
PAT	Rs. Cr.	0.00	0.00	0.01
EBITDA Margin	(%)	0.00	4.44	0.97
PAT Margin	(%)	0.00	1.54	0.97
ROCE	(%)	0.00	0.06	23.25
Total Debt/Tangible Net Worth	Times	0.00	0.39	0.00
PBDIT/Interest	Times	0.00	1.53	292.05
Total Debt/PBDIT	Times	0.00	897.00	0.00
Gross Current Assets (Days)	Days	0	3875	108

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	7.43	ACUITE B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE B / Stable

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About Acuité Ratings & Research:

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