



**Press Release**  
**India Dairy Products Limited**  
**November 08, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.10	ACUITE BBB   Stable   Reaffirmed   Negative to Stable	-
Bank Loan Ratings	2.90	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	25.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.25.00 crore bank facilities of India Dairy Products Limited (IDPL). The outlook is revised to '**Stable**' from '**Negative**'.

**Rationale for rating reaffirmation and outlook revision:**

The reaffirmation and revision in outlook takes into account moderate improvement in scale of operations, improvement in the financial risk profile and efficient working capital management, along with expected improvement in operating performance and liquidity position of the company in near to medium term. However observed declining profitability margin trend over the past three years, the margins declined to 9.59 percent in FY2023 from 10.96 percent in FY2021 for the same period. The company has reported moderate growth in scale of operations with YOY growth of 13.42 percent as reflected in revenues of Rs.58.06 Cr in FY2023 as against Rs.51.19 Cr in FY2022. Gearing ratio stood at 1.09 times in FY2023 as against 1.36 times in FY2022. Interest coverage ratio stood at 4.39 times in FY2023 as against 3.65 times in FY2022. Revision in outlook also takes into account the expected improvement in liquidity position and DSCR in near to medium term. DSCR is expected to improve between 1.22 to 2.00 on account of lower repayment obligations in near to medium term. Going forward, the company's ability in improving the scale of operations and EBITDA margin will be a key monitorable. The rating also reflects efficient working capital management of the company.

The rating is however constrained by customer concentration risk.

**About the Company**

IDPL, a Kolkata based company was incorporated in 1993 by Mr. Anirban Nath, Mrs. Susmita Nath and Mrs. Vineeta Nath and commenced operations in 2002. The company undertakes contract manufacturing of various products for Kaira District Co-operative Milk Producers Union Limited (AMUL). The company has two manufacturing facilities located in Chanditala, Hooghly and in Jayarambati in Bankura district of West Bengal with a combined installed capacity of 5.50 lakhs litres of milk per day, 1.20 lakh bottles of sterilized flavored milk per day, 80 MTPD of Dahi, 20 kilo litres of lassi per day, 35 kilo litres of cup/bar ice-cream, paneer of 4.5 tons per day and cup doi of 5 tons per day. Further, IDPL also manufactures milk, lassi and ghee under its own brand name "India Dairy".

**Unsupported Rating**

Not Applicable



Acuité has considered the standalone business and financial risk profile of IDPL while arriving at the rating.

## Key Rating Drivers

### Strengths

- **Experienced management and strong association with Amul**

IDPL commenced operations in 2002 and the promoters of the company Mr. Anirban Nath, Mrs. Susmita Nath and Mrs. Vineeta Nath have experience in dairy business for more than 15 years. Since 2004, the company is associated with AMUL and currently, IDPL is the one of the largest contract manufacturer of milk and curd, and the only contract manufacturer of ice cream and sterilized flavored milk for Kaira District Cooperative milk Producers' Union Limited (KDCMPL); manufacturing arm of Gujarat Cooperative Milk Marketing Federation Limited (Amul) in eastern India. The company is strategically important to AMUL being one of the two companies who undertakes contract manufacturing in the eastern parts of India. Acuité believes that the company will continue to benefit from the experience of the management over the medium term.

- **Improving scale of operations albeit observed declining profitability margin**

The company has reported moderate growth in scale of operations with YOY growth of 13.42 percent as reflected in revenues of Rs.58.06 Cr in FY2023 as against Rs.51.19 Cr in FY2022. The increase in revenue is led by increase in the orders from AMUL. The margins during FY2023 stood at 9.59 percent against 10.96 percent in FY2022. The reason for the decline in the margin is on account of the increase in processing costs (Majorly Husk which is used as fuel for steam generation in boilers, alternate source of energy) and fuel prices in FY2023. Net Profit margin stood at 0.89 percent in FY2023 to 0.48 percent in FY2022. Acuité believes that improvement of revenues and profitability are the key rating sensitivity factors in improving its business and financial risk profile over the medium term.

- **Moderate financial risk profile**

The company's financial risk profile is moderate, marked by a low net worth, moderate gearing however, deterioration is noted in the debt protection metrics of the Company marked by subdued debt service coverage ratio. The net worth of the company stood at Rs.15.02 Cr and Rs.14.61 Cr as on March 31, 2022, and 2023 respectively. The gearing of the company stood at 1.09 times as on March 31, 2023 against 1.36 times as on March 31, 2022. The improvement in gearing ratio is due to a decrease in long term borrowings. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 4.39 times and 0.94 times as on March 31, 2023 respectively as against 3.65 times and 0.93 times as on March 31, 2022 respectively. Deterioration in DSCR is mainly due to decrease in operating profitability during FY2023 and also on account of high repayment obligations in FY2023. Further DSCR is expected to improve between 1.22 to 2.00 on account of lower repayment obligations in near to medium term. TOL/TNW (Total outside liabilities/Total net worth) stood at 1.45 times and 1.67 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the company stood at 2.76 times as on March 31, 2023 as against 3.32 times as on March 31, 2022. Acuité believes that IDPL's financial risk profile continues to remain at moderate over the medium term.

- **Efficient working capital management**

IDPL's working capital operations are efficient with Gross Current Asset (GCA) at 53 days as on March 31, 2023 as against 46 days as on March 31, 2022. Inventory days stood at 15 days as on March 31, 2023 as against 22 days as on March 31, 2022. Subsequently, the payable period stood at 107 days as on March 31, 2023 as against 109 days as on March 31, 2022 respectively. The debtor day stood at 19 days as on March 31, 2023, as against 19 days as on March 31, 2022. Further, the average bank limit utilization in the last 12

months ended August 2023 remained at 86 percent for fund-based limits. Acuité believes that the working capital of the company would be maintained at prudent levels over the medium term backed by the efficient debtor's management policy of the promoters.

## **Weaknesses**

- **Customer concentration risk**

IDPL is exposed to customer concentration risk as the company is dependent on Amul Dairy to drive its major revenue profile. Further, this customer concentration also leads to lower capacity utilization of own products, which has contributed ~10 to 15 per cent of the total revenue in FY2023. Acuité 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 operation while maintain their profitability margin
- Deterioration in the capital structure
- Elongation of working capital

## **All Covenants**

None

## **Liquidity Position: Adequate**

IDPL liquidity is adequate marked by modest net cash accruals as against which the repayment obligations. The company generated cash accruals in the range of Rs.4.31 Cr in FY2023, while its maturing debt obligations were 4.67Cr during the same period. Going forward the company's liquidity is expected to improve, where it is expected to generate net cash accruals around Rs. 4.78-5.18 Cr in FY 2024-25 respectively against maturing debt obligations of Rs. 1.78 to 3.73 Cr in each respective year. The current ratio stood at 0.88 times as on March 31, 2023, and the limits remains utilized at 86 percent over the 7 months ended August 31, 2023. The company maintains unencumbered cash and bank balances of Rs.2.82 Cr as on March 31, 2023. Acuité believes that the liquidity of the company is likely to improve over the medium term.

## **Outlook: Stable**

Acuité believes that the outlook on IDPL rated facilities will remain 'Stable' over the medium term backed by its experienced management and longstanding association with AMUL. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while managing its working capital cycle. The outlook may be revised to 'Negative' in case the company fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its financial risk profile deteriorates.

## **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	58.06	51.19
PAT	Rs. Cr.	0.52	0.24
PAT Margin	(%)	0.89	0.48
Total Debt/Tangible Net Worth	Times	1.09	1.36
PBDIT/Interest	Times	4.39	3.65

### 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>
- 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

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
16 Aug 2022	Cash Credit	Long Term	3.00	ACUITE BBB   Negative (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	7.50	ACUITE BBB   Negative (Reaffirmed)
	Term Loan	Long Term	12.50	ACUITE BBB   Negative (Reaffirmed)
19 May 2021	Bank Guarantee	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Secured Overdraft	Long Term	3.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	7.50	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	12.50	ACUITE BBB   Stable (Reaffirmed)
21 Feb 2020	Secured Overdraft	Long Term	3.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	12.50	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	7.50	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
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.90	ACUITE A3+   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB   Stable   Reaffirmed   Negative to Stable
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	12.17	ACUITE BBB   Stable   Reaffirmed   Negative to Stable
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.93	ACUITE BBB   Stable   Reaffirmed   Negative to Stable

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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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