



Press Release
INDIA DAIRY PRODUCTS LIMITED
January 29, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.10	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	2.90	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple Bo**)n the Rs.22.10 Cr. bank facilities and short-term rating of ‘**ACUITE A3+**’ (read as **ACUITE A three plus**)on the Rs.2.90 Cr. bank facilities of India Dairy Products Limited (IDPL). The outlook is ‘**Stable**’.

Rationale for reaffirmation:

The rating reaffirmation takes into account extensive experience of the management of more than 15 years in the dairy business, a strong association with Amul, and improving profitability margins, albeit stagnant operating revenue. It also factors in improvement in the financial risk profile and efficient working capital management. The EBITDA margin improved and stood at 11.56 percent in FY2024 as against 9.39 percent in FY2023.

The rating, however, remains constrained on account of 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 the Bankura district of West Bengal, with a combined installed capacity of 5.50 lakhs liters of milk per day, 1.20 lakh bottles of sterilized flavoured milk per day, 80 MTPD of dahi, 20 kilolitres of lassi per day, 35 kilolitres 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

Analytical Approach

Acuite 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 the dairy business for more than 15 years. Since 2004, the company has been associated with AMUL, and currently, IDPL is one of the largest contract manufacturers of milk and curd and the only contract manufacturer of ice cream and sterilized flavoured milk for Kaira District Cooperative Milk Producers' Union Limited (KDCMPL), the 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 that 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 profitability, albeit stagnant growth in operating revenue**

The company's revenue stagnated as reflected in revenues of Rs. 56.02 Cr. in FY2024 as against Rs.57.94 Cr. in FY2023. The reason for the stagnant growth is that own milk output decreased in FY2024 as a result of customer credit period concerns. The margins during FY2024 stood at 11.56 percent against 9.39 percent in FY2023. The margins improved on account of the decrease in raw material prices (majorly husk, which is used as fuel for steam generation in boilers, an alternate source of energy), fuel prices in FY2024, and improved efficiency. Acuité believes that improvement in 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; however, improvement is noted in gearing and debt protection metrics on account of improved EBITDA. The net worth of the company stood at Rs. 16.67 Cr. and Rs. 15.02 Cr. as on March 31, 2024, and 2023, respectively. The gearing of the company stood at 0.88 times as on March 31, 2024, against 1.09 times as on March 31, 2023. The improvement in gearing ratio is due to a decrease in long-term debt. Debt protection metrics—interest coverage ratio and debt service coverage ratio—stood at 5.05 times and 1.27 times as on March 31, 2024, respectively, as against 4.39 times and 0.86 times as on March 31, 2023, respectively. Improvement in DSCR and ICR is mainly due to an increase in operating profitability during FY2024 and a decrease in repayment obligations in FY2024. TOL/TNW (total outside liabilities/total net worth) stood at 1.27 times and 1.45 times as on March 31, 2024, and 2023, respectively. The debt to EBITDA of the company stood at 2.07 times as on March 31, 2024, as against 2.76 times as on March 31, 2023. Acuité believes that IDPL's financial risk profile will continue to remain moderate over the medium term.

- **Efficient working capital management**

IDPL's working capital operations are efficient, with gross current assets (GCA) at 73 days in FY2024 as against 54 days in FY2023. There is slight deterioration in GCA days in FY2024; however, it is accounted for by an increase in OCA. Inventory days stood at 16 days in FY2024 as against 15 days in FY2023. Subsequently, the payable period stood at 159 days in FY2024 as against 107 days in FY2023, respectively. The debtor day stood at 17 days in FY2024 as against 19 days in FY2023. Further, the average bank limit utilization in the last six months ended December 2024 remained at 31 percent for fund-based limits. Acuité believes that the working capital of the company would be maintained efficient 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 it is dependent on Amul Dairy to drive its major revenue profile. Further, this customer concentration also leads to lower capacity utilization of its own products, which has contributed ~10 to 15 percent of the total revenue in FY2023. Acuité believes that any significant customer concentration risk exposes the entity to risks related to changes in the requirements and policies of the customers. However, this is mitigated by the agreements entered into with their customers, which provide adequate revenue visibility over the medium term.

Rating Sensitivities

- Scaling up operations while maintaining their profitability margins
- Deterioration in the capital structure
- Elongation of working capital

Liquidity Position: Adequate

IDPL liquidity is adequate, marked by adequate net cash accruals as against repayment obligations. The company generated cash accruals in the range of Rs. 5.09 Cr. in FY2024, while its maturing debt obligations were Rs.3.73 Cr. during the same period. Going forward, the company is expected to generate net cash accruals of Rs. 5.03-5.90 Cr. in FY 2025-26 against Rs. 2.54-2.12 Cr. debt obligations. The current ratio stood at 0.81 times as on March 31, 2024, and the company has maintained unencumbered cash and bank balances of Rs. 1.73 Cr. as on March 31,

2024. Further, the reliance on bank limits utilization stood low at ~31 percent for the fund-based limits for the past six months ending in December 2024. Acuité believes that the liquidity of the company is likely to improve over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	56.02	57.94
PAT	Rs. Cr.	1.65	0.51
PAT Margin	(%)	2.95	0.88
Total Debt/Tangible Net Worth	Times	0.88	1.09
PBDIT/Interest	Times	5.05	4.39

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
08 Nov 2023	Bank Guarantee (BLR)	Short Term	2.90	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	6.93	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	12.17	ACUITE BBB Stable (Reaffirmed)
16 Aug 2022	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	12.50	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB Negative (Reaffirmed)
	Term Loan	Long Term	7.50	ACUITE BBB Negative (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.90	Simple	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.19	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2031	9.00	Simple	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	2.91	Simple	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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