



**Press Release**  
**NARAYAN AGRO FOODS LIMITED**  
**December 03, 2024**  
**Rating Reaffirmed & Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	26.69	ACUITE BB   Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	26.69	-	-

**Rating Rationale**

Acuite has reaffirmed and withdrawn its long term rating of 'ACUITE BB' (read as ACUITE double Bo) on the Rs.26.69 Cr. bank facilities of Narayan Agro Foods Limited (NAFL). The rating has been withdrawn on account of the request received from the company along with no objection certificate received from the lender as per Acuite's policy on withdrawal of ratings as applicable to the respective facility / instrument.

**Rationale for Rating**

The rating factors the improvement in the company's scale of operations, marked by an operating income of Rs.152.31 Cr. in FY2024 as against Rs.139.88 Cr. in FY2023. The EBITDA margin and PAT margin of the company stood at 3.91 per cent and 1.02 per cent respectively in FY2024. Further, the company has achieved the revenue of Rs.62.99 Crore till 30<sup>th</sup> September, 2024. The rating also positively factors in the experienced management in dairy products business. Additionally, the financial risk profile of the company remained moderate marked by gearing which stood at 2.29 times as on March 31, 2024, coverage indicators reflected by interest coverage ratio and debt service coverage ratio which stood at 2.22 times and 1.27 times respectively as on 31<sup>st</sup> March 2024, adequate liquidity position marked by net cash accruals of Rs.2.99 Crore in FY2024. However, the above mentioned strengths are partly off-set by highly competitive industry and susceptibility to changes in milk prices and government regulations.

**About the Company**

Incorporated in 1976, Narayan Agro Foods Limited is based in Punjab. It is engaged in manufacturing milk powder (Skimmed Milk Powder, Whole Milk Powder and Dairy Whiteners), Ghee and other milk products like dahi, chhachh, paneer etc. Directors of Narayan Agro Foods Limited are Mr. Neeru Talwar, Mr. Subash Goyal, Mr. Vishal Goyal and Mr. Rabindra Prasad Singh.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has taken the standalone view on the business and financial risk profile of NAFL to arrive at this rating.

**Key Rating Drivers**

**Strengths**

**Experience management and established track record of operations**

NAFL was incorporated in 1976 and engaged in manufacturing milk powder (Skimmed Milk Powder, Whole Milk Powder and Dairy Whiteners), Ghee and other milk products like dahi, chhachh, paneer etc. Currently the company is managed by Mr. Neeru Talwar, Mr. Subash Goyal, Mr. Vishal Goyal and Mr. Rabindra Prasad Singh who has an experience in the same industry and has an established track record of operations of more than four

decades. Acuité believes that the long operational track record of NAFL and promoters' extensive understanding and expertise will benefit the company going forward, resulting in steady growth in the scale of operations.

#### **Growth in the scale of operations**

The company have achieved a revenue of Rs.152.31 Crore in FY2024 as against Rs.139.88 Crore in FY2023. The company has an established procurement and distribution network for milk and milk products from farmers. Also, the company has its own brand name i.e. Shakti. Further, the EBITDA margins of the company stood at 3.91% in FY2024 against 3.46% in FY2023. The PAT margin of the company stood at 1.02% in FY2024 against 0.74% in FY2023. Going forward, the company is expected to have better top-line in near to medium term and has achieved the revenue of Rs.62.99 Crore till 30<sup>th</sup> September, 2024.

## **Weaknesses**

### **Working Capital Intensive Operations**

The working capital operations of the company intensive marked by GCA days which stood at 138 days as on 31st March 2024 as compared to 143 days as on 31st March 2023. The debtor days of the company is moderate and stood at 47 days as on 31st March 2024 against 45 days as on 31st March 2023. Further, the inventory holding stood at 76 days as on 31st March 2024 against 87 days as on 31st March 2023. The creditor days of the company stood at 56 days as on 31st March 2024 against 41 days as on 31st March 2023. Acuité expects that the working capital operations of the company will remain at similar levels in near to medium term.

### **Moderate Financial Risk Profile**

The financial risk profile of the company is moderate marked by net-worth of Rs.15.09 Crore as on 31st March 2024 against Rs.13.53 Crore as on 31st March 2023. The increase in the net-worth is on an account of accretion of profits into reserves. Further, the total debt of the company stood at Rs.34.48 Crore as on 31st March 2024 against Rs.36.19 Crore as on 31st March 2023. The capital structure of the company is moderate marked by gearing ratio of the company which stood at 2.29 times as on 31st March 2024 against 2.67 times as on 31st March 2023. Further, the coverage indicators of the company improved reflected by interest coverage ratio and debt service coverage ratio of the company which stood at 2.22 times and 1.27 times respectively as on 31st March 2024 against 2.30 times and 1.24 times respectively as on 31st March 2023. The TOL/TNW ratio of the company stood at 3.80 times as on 31st March 2024 against 4.01 times as on 31st March 2023 and DEBT-EBITDA of the company stood at 5.77 times as on 31st March 2024 against 7.46 times as on 31st March 2023. Acuité expects that going forward the financial risk profile of the company will remain moderate in near to medium term.

### **Highly competitive industry and Susceptibility to changes in government regulations and environmental conditions and milk prices**

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. Also, ensuring competitive remuneration to the farmers for procurement of milk would be a key sensitivity for maintaining a steady supply chain.

Also, NAFL, 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.

### **Rating Sensitivities**

Not Applicable

### **Liquidity Position**

#### **Adequate**

The liquidity position of the company is adequate. The company has generated net cash accruals of Rs.2.99 Crore against the debt repayment obligations of Rs.1.76 Crore in the same period. Further, the current ratio of the company stood at 1.15 times as on 31st March 2024 against 1.13 times as on 31st March 2023. The cash and bank balance of the company stood at Rs.0.12 Crore as on 31st March 2024.

### **Outlook: Not Applicable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	152.31	139.88
PAT	Rs. Cr.	1.56	1.04
PAT Margin	(%)	1.02	0.74
Total Debt/Tangible Net Worth	Times	2.29	2.67
PBDIT/Interest	Times	2.22	2.30

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

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook	
01 Dec 2023	Cash Credit	Long Term	22.00	ACUITE BB	Stable (Assigned)
	Term Loan	Long Term	2.82	ACUITE BB	Stable (Assigned)
	Term Loan	Long Term	1.87	ACUITE BB	Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Complexity Level</b>	<b>Rating</b>
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	22.00	Simple	ACUITE BB   Reaffirmed & Withdrawn
Punjab National Bank	Not avl. / Not appl.	Term Loan	19 Feb 2022	Not avl. / Not appl.	18 Feb 2029	2.82	Simple	ACUITE BB   Reaffirmed & Withdrawn
Punjab National Bank	Not avl. / Not appl.	Term Loan	20 Jul 2023	Not avl. / Not appl.	19 Jul 2030	1.87	Simple	ACUITE BB   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

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