



Press Release
DOLPHIN FOODS INDIA LIMITED
February 17, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	65.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	65.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating of ‘**ACUITE BBB**’ (read as **ACUITE triple B**) to the Rs.65.00 Cr. bank facilities of Dolphin Foods India Limited (DFIL). The Outlook is ‘**Stable**’.

Rationale for rating assigned

The rating assigned reflects the company’s established track record of operations in the manufacturing of boiled sugar confectioneries since 1989, along with a consistent revenue growth supported by geographically diversified revenue streams. The company benefits from a robust domestic distribution network and a significant share of revenue from exports. Additionally, the rating accounts for strong profitability margins, resulting in healthy operating cash flows. Although profitability margins have declined in the current year, a recovery is anticipated in the medium term, driven by the launch of the new premium-priced retail product, ‘Otter.’ The rating also considers the company’s above-average financial risk profile, with a healthy capital structure and a debt-to-equity ratio of 0.56 times as of March 31, 2024.

However, the rating is constrained by the company’s moderate scale of operations, relatively intensive working capital requirements, and its vulnerability to fluctuations in raw material prices, which can impact profitability.

About the Company

Dolphin Foods India Limited was incorporated in the year 1984. It is based in Hyderabad, Telangana. The company is engaged in the business of manufacturing and selling “Hard boiled sugar confectionery” (Candies, Toffees, & Jelly Confectionery). Wafers & Cakes. The current director of the company are Mr. Arun Dev Sahayam Jabamany, Mr. Periya Raj Sivaraman and Mr. Sivaraman Balaji Suresh.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Dolphin Foods India Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations

The company has more than three decades of experience in the manufacturing of hard-boiled sugar confectionery and is currently led by Mr. Arun Dev Sahayam. Its extensive track record has facilitated the development of longterm partnerships with suppliers and distributors across India, for repeat business. The company has a comprehensive pan-India distribution network for its products. DFIL manufactures under its own brand, "Oshon," and has recently launched a new premium retail brand, "Otter," for high-end products with elevated pricing and margins in FY2025. DFIL regularly introduces newproducts based on market research and demand.

Acuite believes that DFIL may continue to benefit from its established track record of operations and strong

relationships with its suppliers and distributors.

Stable growth driven by geographically diversified revenue streams

The company has registered consistent revenue growth, with a CAGR of 12.6% over the past three years. In FY24, company recorded the revenue of Rs. 207.43 Cr, compared to Rs. 177.94 Cr. in FY23 and Rs. 145.22 Cr. in FY22. This revenue growth can be attributed to an enhanced distribution network, the regular introduction of new products in response to market demand, and sustained demand for existing products. For FY25, as of September 2024, the company has recorded a revenue of Rs. 117.24 Cr. Operating margins have improved over the past three years, reaching 14.93% in FY24, up from 11.32% in FY23 and 5.83% in FY22. However, in FY2025, operating margins have decreased to 7.03%, primarily due to the rise in raw material costs. However, profitability is expected to recover in the medium term, driven by the launch of the new premium retail brand, "Ottar."

Moderate financial risk profile

The financial risk profile of the company is moderate with moderate capital structure and coverage indicators. Company's net worth stood Rs.99.60 Cr. as on March 31, 2024 as against Rs.82.53 Cr. as on 31 March, 2023. Improvement in net worth is attributable to accretion of profits to reserves. The total debt of Rs. 56.09 Cr. as of March 31, 2024, consists of Rs. 5.03 Cr. of term loans, Rs. 1.35 Cr. of unsecured loans from promoters, a working capital loan of Rs. 41.94 Cr, and current maturities of long-term debt of Rs. 7.76 Cr. The gearing (debt/equity) of the company remains low at 0.56 times as of March 31, 2024, compared to 0.57 times in the same period last year. Debt protection metrics of DSCR (debt service coverage ratio) and ICR (Interest coverage ratio) stood comfortable at 1.92 times and 8.38 times respectively for FY2024 as compared to 1.27 times and 5.66 times respectively for FY2023. The ratio of total outside liabilities to tangible net worth stood at 0.90 times for FY2024 as against 0.94 times in FY2023.

Acuite believes that improvement in financial risk profile of the company going forward will remain a key rating sensitivity.

Weaknesses

Moderately working capital intensive nature of operations

Moderately working capital intensive nature of operations The working capital operations of the company are moderately intensive in nature, as reflected by its gross current asset (GCA) days of 119 days in FY24 as against 112 days in FY23 and 119 days in FY22. GCA days are majorly dominated by debtor days and inventory days. Debtor days stood at 52 days in FY24 as against 49 days in FY23 and 53 days in FY22. The inventory days of the company stood at 75 days in FY24 as against 63 days in FY23 and 64 days in FY22. The creditor days of the company stood at 22 days in FY24 as against 26 days in FY23 and 24 days in FY22. Further, the average working capital utilization stood high at 87 percent in the past 10 months ending September 2024.

Acuite believes that working capital operations of the company may continue to remain moderate over the near to medium term due to the nature of operations of the company.

Presence in a highly fragmented industry

The food processing industry is characterized by significant fragmentation and intense competition, with numerous unorganized participants. This fragmentation reduces pricing flexibility and bargaining power for companies. Additionally, the presence of large, integrated players, who often expand capacity, hampers growth opportunities. The industry is also vulnerable to the risk of low entry barriers, as minimal initial investment and simple operational requirements have led to the emergence of countless small-scale entities, contributing to substantial fragmentation.

Rating Sensitivities

Positive

- Improvement in scale of operations and profitability.
- Improvement in working capital cycle.

Negative

- Decline in profitability.
- Elongation of working capital leading to stretch in liquidity.

Liquidity Position

Adequate

DFIL's liquidity is adequate marked by adequate cash accruals to its debt obligations. It reported cash accruals of

Rs.21.72 Cr in FY2024 and Rs.12.34 Cr in FY23 against debt obligations of Rs.9.52 Cr and Rs.8.98 Cr respectively during the same period. Its accruals are expected in the range of Rs 12.31 to 17.84Cr in FY2025-26 against its repayment obligations of Rs.3.5-5.6 Cr during the same period. The current ratio of the company stood at 1.03 times and cash and bank balances stood at Rs.0.78 Cr as on March 31, 2024. Company's working capital operations are intensive in nature leading to high reliance on working capital limits with average utilisation at 87 percent over the last 10 months ending September 2024.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accrual and no major large debt capex plans 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.	207.43	177.94
PAT	Rs. Cr.	17.06	7.93
PAT Margin	(%)	8.22	4.46
Total Debt/Tangible Net Worth	Times	0.56	0.57
PBDIT/Interest	Times	8.38	5.66

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB Stable Assigned
CITI Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	35.00	Simple	ACUITE BBB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.28	Simple	ACUITE BBB Stable Assigned
CITI Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	06 Jun 2029	13.72	Simple	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

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