

Devyani Food Industries Limited

March 03, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	53.25	CARE A- (CE) (CWD) [Single A Minus (Credit Enhancement)] (Under Credit watch with Developing Implications)	Placed on Credit watch with Developing Implications
Long Term / Short Term Bank Facilities	44.00	CARE A- (CE) / CARE A2+ (CE) (CWD)	Placed on Credit watch with Developing Implications
Short Term Bank Facilities	5.00	CARE A2+ (CE) (CWD) [A Two Plus (Credit Enhancement)] (Under Credit watch with Developing Implications)	Placed on Credit watch with Developing Implications
Total Bank Facilities	102.25 (Rs. One Hundred Two Crore and Twenty-Five Lakhs Only)		

Details of instruments/facilities in Annexure-1

*The ratings are based on the credit enhancement in the form of unconditional & irrevocable corporate guarantee from RJ Corp Limited.

Unsupported Rating¹	CARE BBB (CWD) (Triple B; Under Credit watch with Developing Implications)
---------------------------------------	---

Note: Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale & Key Rating Drivers

CARE has placed the rating of Devyani Food Industries Limited (DFIL) on credit watch with developing implications on account of expected change in the analytical approach. The ratings are currently based on credit enhancement in the form of unconditional & irrevocable corporate guarantee from RJ Corp Limited. This is proposed to be revised to standalone assessment of DFIL as the corporate guarantees are in the process of being withdrawn for the bank facilities of DFIL and there has been improvement in the standalone financial profile of DFIL. CARE is currently in the process of undertaking a credit review to factor in the implications of these developments.

For detailed press release including rating sensitivities & earlier description of the key rating drivers please [click here](#)

Liquidity:

Liquidity – Adequate – RJ Corp

The company has adequate liquidity with the market value of the quoted investments stood at Rs. 8525.55 crore as on March 07, 2021 and Rs.19,272.00 crores as on 30.09. 2021 It has free cash and bank balance of Rs. 2.57 crore as on Mar 31, 2020, and Rs. 18.07 crore as on Dec 31, 2020. RJ Corp has notable stake in few listed companies (primarily Varun Beverages Ltd., Devyani International Ltd) with market value of Rs.8525.55 crore as on March 07, 2021 and Rs.19,272.00 crores as on Sep 30, 2021 against the total debt of Rs. 1017.29 crore as on December 31, 2020, and Debt of Rs.522.25 crores as on December 31, 2021 and corporate guarantees given to group companies amounting Rs.16.23 crore as on December 31, 2021. Thus, indicating adequate coverage in terms of market value of holding to debt and consequent ability to raise further debt if required.

Liquidity – Adequate – DFIL (Standalone)

Liquidity position of DFIL derives support from the financial & liquidity profile of RJ Corp owing to the guarantee given by RJ corp for its rated facilities. Cash and Bank Balance of the company stood at Rs. 30.88 crore as on March 31, 2020 while as on Sep 30, 2020 it stood at Rs.37.16 crore. The repayment obligations for FY21 are Rs. 70.90 crore (fully repaid till Dec 31, 2020). It has repaid the same through receipt back of loans and advances of Rs.127.67 crore from its group companies which DFIL had provided earlier. Current ratio of the company stood at 0.67x as on March 31, 2020 (1.00x as on March 31, 2019) and operating cycle of the company stood at 38 days for FY20 (56 days for FY19). The average working capital utilization for 12 months ending on December 31, 2020 stood at 20.96% leaving sufficient liquidity buffer. The company has opted for both moratoriums under the Covid relief package for facilities as announced by RBI.

Analytical approach:

For Credit Enhanced Ratings: The ratings factor in the Credit Enhancement in the form of Irrevocable and unconditional Corporate Guarantee from RJ Corp. Limited (99.90% shareholding in Devyani Food Industries Limited) for the rated bank facilities of Devyani Food Industries Limited. CARE has considered the standalone financials of RJ Corp Ltd. while assigning the ratings to the bank facilities of Devyani Foods Industries Limited.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

For unsupported Ratings: Standalone financials of Devyani Foods Industries Limited is considered.

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Financial Ratios – Non financial Sector](#)

[Rating Methodology: Notching by factoring linkages in Ratings](#)

[Rating Credit Enhanced Debt](#)

[Investment Holding Companies](#)

About the Company

Devyani Food Industries Ltd (DFIL), incorporated in year 1991, is currently engaged in manufacturing and distribution of ice cream on pan-India basis under the brand "CreamBell". DFIL has four manufacturing facilities with 11.41 million litres per month (MLPM during peak month) capacity for manufacturing of Ice-cream and processing capacity for 50,000 Litres/day for dairy products (Poly Pack Milk, Dahi, Butter Milk and Paneer).

DFIL is a part of the RJ Corp Group which has presence across sectors like food, beverages, education, dairy, healthcare, retail, etc. The RK Jaipuria group entered into the Ice-cream business in 1992 through JV. However, RK Jaipuria group launched their own brand "Cream bell" in technical collaboration with "Candia" (France) in April 2003 under DFIL. Subsequently, RKJ bought the remaining stake in Universal Dairy Products Pvt. Ltd from CKJ and merged it with DFIL.

Brief Financials (Rs. crore) – DFIL Standalone	FY20 (A)	FY21 (A)	9MFY22 (UA)
Total operating income	535.72	328.21	NA
PBILDT	85.47	15.08	NA
PAT	-22.08	-113.03	NA
Overall gearing (times)	2.72	5.32	NA
Interest coverage (times)	1.11	0.23	NA

A: Audited, UA: Un-Audited, NA: Not available

About the Guarantor (RJ Corp Limited)

RJ Corp Limited was incorporated on March 01, 1990 and is a holding company with interests in beverages, fast-food restaurants, retail, ice-cream, dairy products, healthcare and education. The group has ventured into new areas through strong strategic alliances and acquisitions. RJ Corp Limited is also engaged in retail sales of Shoes and Apparels of Nike and Rookie Brand. RJ Corp footprint is spread across India and the group also has businesses in Nepal, Sri Lanka, Kenya, Morocco, Zambia and Zimbabwe.

The group has been involved in food & beverages industry for more than four decades. Apart from the ice cream business under DFIL, the RJ Corp group through Varun Beverages Limited has franchise rights from PepsiCo in India (except J&K, Ladakh and Andhra Pradesh), Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe. Varun Beverages Limited is the largest franchisee for PepsiCo in India and second largest in the world (outside US). The fast-food restaurant business of the group is consolidated under 'Devyani International Ltd' wherein the company is engaged in running over 600 outlets of 'Pizza Hut', 'KFC', 'Costa Coffee', 'Vaango' in different parts of the country. The group also owns three schools operating as franchises of Delhi Public School.

Brief Financials (Rs. crore) – RJ Corp Standalone	FY19 (A)	FY20 (A)	9MFY21/9MFY22(UA)
Total operating income	144.64	165.72	NA
PAT	-83.25	-101.72	NA
Interest coverage (times)	0.46	0.25	NA
Total Assets	1992.87	1778.17	NA
ROTA (%)	-4.36	-5.39	NA

A: Audited, UA: Un-Audited, NA: Not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	July 2022	18.75	CARE A- (CE) (CWD)
Fund-based - LT-Cash Credit		-	-	-	34.50	CARE A- (CE) (CWD)
Non-fund-based - LT/ ST-BG/LC		-	-	-	44.00	CARE A- (CE) / CARE A2+ (CE) (CWD)
Fund-based - ST-Term loan		-	-	-	5.00	CARE A2+ (CE) (CWD)
Un Supported Rating-Un Supported Rating (Long Term)		-	-	-	0.00	CARE BBB (CWD)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	18.75	CARE A- (CE) (CWD)	-	1)CARE A- (CE); Stable (22-Mar-21) 2)CARE A- (CE); Stable (07-Apr-20)	1)CARE A- (SO); Stable (05-Apr-19)	1)CARE A-; Stable (04-Apr-18)
2	Fund-based - LT-Cash Credit	LT	34.50	CARE A- (CE) (CWD)	-	1)CARE A- (CE); Stable (22-Mar-21) 2)CARE A- (CE); Stable (07-Apr-20)	1)CARE A- (SO); Stable (05-Apr-19)	1)CARE A-; Stable (04-Apr-18)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST*	44.00	CARE A- (CE) / CARE A2+ (CE) (CWD)	-	1)CARE A- (CE); Stable / CARE A2+ (CE) (22-Mar-21) 2)CARE A- (CE); Stable / CARE A2+ (CE) (07-Apr-20)	1)CARE A- (SO); Stable / CARE A2+ (SO) (05-Apr-19)	1)CARE A-; Stable / CARE A2+ (04-Apr-18)
4	Fund-based - ST-Term loan	ST	5.00	CARE A2+ (CE) (CWD)	-	1)CARE A2+ (CE) (22-Mar-21) 2)CARE A2+ (CE) (07-Apr-20)	1)CARE A2+ (SO) (05-Apr-19)	1)CARE A2+ (04-Apr-18)
5	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE BBB (CWD)	-	1)CARE BBB (22-Mar-21) 2)CARE BBB; Stable (07-Apr-20)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA
Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Term loan	Simple
4	Non-fund-based - LT/ ST-BG/LC	Simple
5	Un Supported Rating-Un Supported Rating (Long Term)	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact

Name – Mr. Mradul Mishra
Contact no. - +91-22-6754 3596
Email ID - mradul.mishra@careedge.in

Analyst Contact

Name: Ravleen Sethi
Contact no.: 9818032229
Email ID: ravleen.sethi@careedge.in

Relationship Contact

Name: Swati Agrawal
Contact no.: +91-11-4533 3200
Email ID: swati.agrawal@careedge.in

About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**