

Amish Dairy & Foods Private Limited

March 03, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.77 (Reduced from 7.01)	CARE B+; Stable (Single B Plus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	5.77 (Rs. Five Crore and Seventy- Seven Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Amish Dairy & Foods Private Limited (ADFPL) continues to remain constrained on account of small scale of operations, low profitability margins, leveraged capital structure with moderate debt coverage and stretched liquidity. The rating is further constrained on account of risk due to product concentration, exposure to intense competition and susceptibility to changes in regulations and epidemics affecting the dairy industry. The rating, however, continues to draw comfort from experienced and qualified promoters and comfortable operating cycle.

Rating Sensitivities

Positive Factors

- Increase in the total operating income (TOI) of the company above Rs.50.00 crore on sustained basis.
- Improvement in capital structure as marked by overall gearing of below 1.00x on a sustained basis.

Negative Factors

- Elongation in operating cycle to more than 50 days on a sustained basis.
- Deterioration in debt coverage indicators marked by interest coverage ratio below 1.00x and total debt to GCA of above 8.00x on a sustained basis.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations with low profitability margins

ADFPL commenced commercial operations from FY18 onwards thus making FY21 only its fourth full year of operations. The company's scale of operations continued to remain small marked by a TOI of Rs. 28.58 crore given its limited presence in various districts of Bihar and Uttar Pradesh. However, with covid restrictions easing the company has been able to expand its customer reach. This has resulted in total sales worth Rs. 44.12 crore in 10MFY22(Provisional).

ADFPL is not able to pass the price rise in entirety to its customers due to little control over its cost structure as it follows the end product prices set by the major industry players such as Amul and Mother Dairy which cater to the same target market. Thus, profitability margins of the company continued to remain constrained as marked by low PBILDT and PAT margins. The PBILDT margin marginally declined and stood at 6.43% in FY21 compared to 8.27% in FY20 on account of increase in cost of material consumed specifically rise in costs of raw milk, packaging as well as transportation cost. Moreover, with proportionately high interest and depreciation cost incurred during the year, PAT margin also declined marginally and stood at 0.07% in FY21 as against 0.16% in FY19. Consequently, gross cash accruals also remained low at Rs.1.06 crore in FY21.

Leveraged capital structure and moderate debt coverage indicators

The company's capital structure continues to remain leveraged marked by overall gearing of 4.51x as on March 31, 2021 (3.05x in FY20). An uptick in overall gearing was on account of covid loans (GECL) taken up by the company during the review period. Further, the company's net worth also declined on account of decline in unsecured loans which are considered as quasi equity. Unsecured loans considered as quasi capital stood at Rs. 0.35 crore as on March 31, 2021 as compared to Rs. 2.36 crore as on March 31, 2020. Further, as a result of low profitability, ADFPL's debt coverage indicators also remained moderate marked by TDGCA ratio of 7.37 crore and an interest coverage of 2.63x in FY21 against TDGCA of 5.77x and interest coverage of 2.68x in FY20.

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE publications

Product concentration risk

ADFPL has set up a milk processing unit with installed capacity of 1,00,000 litres of milk per day. ADFPL procures raw/unprocessed milk and converts this milk into pasteurized form. Although, the company's product line includes various milk-based sweets like rasgulla and gulab jamun, which reduces the product concentration risk to some extent. As of now, the company does not plan to venture into milk products like Sweet and Condensed Milk (SCM), Skimmed Milk Powder (SMP), etc. which are high margin products vis-à-vis pasteurized milk.

Competition from the organized and un-organized sector and environmental risk

The company faces competition in the dairy segment from other established brands in the organized market. The competition gets fiercer with presence of unorganized players leading to pricing pressures. Other major dairy companies are also entering into the manufacturing of value-added milk products on account of increasing demand in the domestic market. Further, ADFPL is exposed to environmental risks (such as outbreak of epidemics/ bovine diseases) since its entire milk collection is from farmers and villages located near the processing plant.

Key Rating Strengths

Experienced & resourceful partners

ADFPL is managed and promoted by Dr. Pradeep Tiwari and family who possess moderate experience in the dairy industry.

Comfortable operating cycle

Operating cycle of the company stood comfortable at 18 days for FY21. The operations of ADFPL are less working capital intensive in nature on account of the product being highly perishable in nature and having a limited shelf life. The company procures the raw milk on a daily basis from the dairy farmers and processes it regularly. Generally, these dairy farmers operate on cash basis, however, when the purchases are made in bulk by the customers, the credit period gets stretched to 20-25 days. Similarly, the company enjoys credit period of 10 to 15 days from its suppliers, however when it procures the raw milk in bulk quantity, it gets further relaxation in making payment to its suppliers.

Liquidity: Stretched

The liquidity position of the company remained stretched as marked by tightly matched cash accruals vis-s-vis repayment obligations of Rs.1.39 crore for FY22. Further, Overdraft limit utilization remained close to 100% during past one year ended January 2022. Furthermore, the company has low unencumbered cash & bank balances of Rs.0.52 crore as on March 31, 2021. In addition to the same, cash flow from operating activity also remained low at Rs.0.86 crore in FY21.

Analytical approach: Standalone

Applicable criteria:

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

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

[Rating Methodology - Manufacturing Companies](#)

[Financial Ratios - Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

Amish Dairy & Foods Private Limited (ADFPL) was incorporated as a private limited company in March 2015. However, the operations started in April 2017. The company is promoted by Mr. Pradeep Tiwari and is engaged in processing of milk and milk products viz. sweet curd, lassi, buttermilk, ghee, paneer, sweet items like peda, etc. They procure the milk from the local dairy farmers on a daily basis and process it into pasteurized milk at its processing plant located at Siwan, Bihar, with current installed capacity of 1,00,000 litres of milk per day as on March 31, 2021 and post the processing and packaging, it is dispatched to the market in Bihar and Uttar Pradesh through distributors, under the brand name 'Gopad'. The milk is available in five variants viz. full cream milk, toned milk, standard milk, tea milk and cow milk. ADFPL has certifications and approvals namely Food Safety License, Pollution Board Approvals and Broiler Inspection in place.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	10MFY22 (Prov.)
Total operating income	23.41	28.58	44.12
PBILDT	1.94	1.84	NA
PAT	0.04	0.02	NA
Overall gearing (times)	3.05	4.51	NA
Interest coverage (times)	2.68	2.63	NA

A: Audited, Prov. – Provisional; NA- Not Available

Status of non-cooperation with previous CRA: CRISIL continues to place its rating under non-cooperation due to non-submission of requisite information by the entity as per its press release dated August 16, 2021.

Any other information: Not Applicable

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

Covenants of rated instrument/facility: Please refer Annexure 3

Complexity level of various instruments rated for this firm: Please refer 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-Bank Overdraft		-	-	-	0.50	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	August 2024	4.49	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	April 2023	0.78	CARE B+; Stable

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-Bank Overdraft	LT	0.50	CARE B+; Stable	-	1)CARE B+; Stable (18-Dec-20)	1)CARE B+; Stable (18-Nov-19)	1)CARE B+; Stable (03-Jan-19)
2	Fund-based - LT-Term Loan	LT	4.49	CARE B+; Stable	-	1)CARE B+; Stable (18-Dec-20)	1)CARE B+; Stable (18-Nov-19)	1)CARE B+; Stable (03-Jan-19)
3	Fund-based - LT-Term Loan	LT	0.78	CARE B+; Stable	-	1)CARE B+; Stable (18-Dec-20)	1)CARE B+; Stable (18-Nov-19)	1)CARE B+; Stable (03-Jan-19)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	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.

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