Blueberry Industry

February 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	12.89 (Reduced from 15.00)	CARE B+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Blueberry Industry (Blueberry) is constrained by its proprietorship nature of constitution, high customer concentration risk with dependence on the performance of Gujarat Co-operative Milk Marketing Federation Limited (GCMMFL) albeit presence of long-term agreement with the principals, its presence in a highly fragmented and competitive industry along with exposure to project risk. The rating, however, derives strength from the experienced proprietor, improvement in financial performance in FY22 and 9MFY23, and long-term agreement with Kaira District Milk Producers Co-operative Union Limited (KDMPCUL) and GCMMFL.

Rating sensitivities: Factors likely to lead to rating action

Positive factors

- Improvement in GCA (> Rs 2-2.5 per annum) on a sustained basis.
- Improvement in capital structure with accumulation of profits to net-worth.

Negative factors

- Any significant drop in PBILDT margins below 40-42% leading to stress on profitability.
- Significant decline in scale of operations.

Analytical approach: Standalone

Key weaknesses

Constitution as proprietorship entity

Blueberry, being a proprietorship entity, is exposed to inherent risk of the proprietor's capital being withdrawn at time of personal contingency and entity being dissolved upon the death/insolvency of the proprietor. Furthermore, proprietorship entities have restricted access to external borrowing as credit worthiness of proprietor would be the key factors affecting credit decision for the lenders.

High customer concentration risk with dependence on the performance of GCMMFL; albeit presence of long term agreement with the principals

Blueberry derives its entire revenue from a single customer which exposes it to high customer concentration risk. However, Blueberry has entered into a long term agreement with KDMPCUL and GCMMFL for a period of 10 years with effect from October 2016. Under the terms of the agreement raw milk will be procured by KDMPCUL, will be processed into packaged milk and curd by Blueberry and the finished products will be marketed by GCMMFL under the brand name of Amul, Sagar, Taaza. Besides raw milk, KDMPCUL will also supply all packaging materials, transportation costs etc. and place technical qualified staff at its owned cost for quality control. The risk of customer concentration is mitigated to a large extent due to its long term agreement. However, the performance of the entity is linked with the performance of GCMMFL as it is doing job work for GCMMFL only.

Highly fragmented and competitive industry

The milk processing industry is highly fragmented and competitive due to presence of huge small players owing to low entry barriers, low capital and technology requirement. In such a competitive scenario smaller entities like Blueberry in general are more vulnerable on account of its small scale of operation.

Exposure to project risk

The firm is also setting up an additional unit which will largely cater to value added products in dairy segment. The funding is expected to be met from Equity, Debt and Grant with total cost of Rs 11 crores. All the civil work is completed and currently the

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

machinery installation is in progress. The project is in final stages of implementation and is likely to be operational from March 2023.

Key strengths

Key Rating Strengths Experienced proprietor

Mr. Kamal Deka has more than two decades of business experience. He has an experience in the similar line of business for around 12 years through a diary firm 'Nandin Dairy'. Further, since 1996 he is into cable TV distribution business, PCOs, transport, etc. In 2014 he had established a state of art fully automated packaged drinking water plant at Panikhaiti, Assam. He will look after the overall management of the entity.

Improvement in financial performance in FY22 and 9MFY23

The total operating income of the firm has improved from Rs. 4.63 crore in FY21 to Rs. 5.44 crore in FY22. Also, the firm has achieved operating income of Rs. 3.94 crore till December 31, 2022. The PBILDT margins has remained healthy at over 50% over the past 3 fiscal ending 31st March 2022. The firm has reported a PBILDT margin of 59.82% in FY22 and 64.47% till Dec 31, 2022. The company has been reporting negative PAT margin till FY21 on account of high depreciation and Interest payment. However, the same has also improved and the firm has reported a positive PAT margin of 12.05% in FY22 and 19.54% till Dec 31, 2022.

Liquidity: Stretched

The liquidity has been marked as stretched on account of ongoing capex for construction of another Unit. Also, the firm also has undergone restructuring for its term debt during covid-19. Currently, the entity has a high monthly repayment obligation of Rs. 0.11 crore which is again expected to increase from April 2023 both on account of ballooning repayment structure and commencement of repayment of the additional debt taken for construction of Unit 2.

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Manufacturing Companies

About the company

Blueberry was established as a proprietorship entity by Mr. Kamal Deka of Guwahati, Assam for setting up a liquid milk processing plant in 2017. The entity has entered into a tripartite agreement with Kaira District Milk Producers Co-operative Union Limited (KDMPCUL) and Gujarat Co-operative Milk Marketing Federation Limited (GCMMFL). As per agreement raw milk is procured by KDMPCUL and the same is processed into packaged milk and curd by Blueberry. The finished products i.e., processed milk in pouches and curd in cups is marketed by GCMMFL. Blueberry activities will be limited to processing of the raw milk and its packaging for which is be paid processing charges. Blueberry has setup a liquid milk processing plant with an aggregate project cost of Rs.15.40 crore.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (P)
Total operating income	4.63	5.44	3.94
PBILDT	2.74	3.25	2.54
PAT	-0.48	0.66	0.77
Overall gearing (times)	-2.84	-6.64	NA
Interest coverage (times)	1.59	2.48	2.76

A: Audited; P: Provisional; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2028	12.89	CARE B+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	12.89	CARE B+; Stable	1)CARE B+; Stable (25-May-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (21-Sep-21)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (24-Sep-20)	1)CARE B; Stable; ISSUER NOT COOPERATING* (12-Jul-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings 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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