

Amish Dairy & Foods Private Limited

March 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.77	CARE B; Stable; ISSUER NOT COOPERATING*	Revised from CARE B+; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1

*Issuer did not cooperate; based on best available information

Rationale and key rating drivers

CARE Rating Ltd has been seeking information from Amish Dairy & Foods Private Limited (ADFPL) to monitor the rating(s) vide e-mail communications dated December 07, 2023, January 10, 2024, January 16, 2024, January 18, 2024, February 06, 2024, March 01, 2024 and March 05, 2024 along with numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings on ADFPL's bank facilities will now be denoted as '**CARE B; Stable; ISSUER NOT COOPERATING**'. [Single B; Outlook: Stable; Issuer Not Cooperating].

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating assigned to the bank facilities of Amish Dairy & Foods Private Limited (ADFPL) have been revised on account of non-availability of requisite information. The ratings factored in its small scale of operations and low profitability margins, leveraged capital structure and weak debt coverage indicators. The ratings are further constrained on account of product concentration risk, seasonal nature of operations and highly competitive nature of the industry and susceptibility to adverse regulatory changes and raw material price fluctuation risk. The ratings, however, favourably factor in comfortable operating cycle and experienced and resourceful promoters.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers

At the time of last rating on March 17, 2023 the following was the rating strengths and weaknesses (updated based on information available from ROC filings).

Key Weaknesses

Small scale of operations and low profitability margins

The company's scale of operations continued to remain small marked by a Total Operating income (TOI) of Rs. 51.43 crore for FY23 as compared to TOI of Rs. 52.80 crores in FY22. Since, ADFPL is not able to pass on the price rise in entirety to its customers due to little control over its cost structure as it has to follow 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 low. The PBILDT margin stood at 3.20% in FY23 as compared to 3.16% in FY22. Moreover, owing to high interest and depreciation costs, PAT margin also stood thin at 0.11% in FY23 as against 0.05% in FY22.

Leveraged capital structure and weak debt coverage indicators

Given the company's low networth base, capital structure continues to remain leveraged marked by overall gearing of 5.79x as on March 31, 2023 against 4.24x as on March 31, 2022. Further, as a result of low profitability and high finance costs, the debt coverage indicators also remain weak as marked by an interest coverage of 2.37x during FY23 compared to 2.65x during FY22. Additionally, owing to high overall debt and low cash profit (GCA), TD/GCA also remained high at 9.21 years as on March 31, 2023 as against 7.18x as on March 31, 2022.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s 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. As of now, the company does not have a 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. However, the company has recently added milk-based sweets like rasgulla and gulab jamun to its existing product line, thus reducing the product concentration risk to some extent.

Seasonal nature of operations and highly competitive nature of the industry

India being a tropical country renders a hot and humid climate for the animals and thus fluctuations in the milk production. There is a flush season in the cooler parts of the year whereas the production goes down in the warmer months of the year. The milk processing and milk products manufacturing companies convert the surplus milk during November-April (flush season) into ghee, milk powder, butter, etc. to maintain the continuous supply of milk products round the year. ADFPL operates in a highly competitive industry wherein it faces direct competition in the dairy segment from other established brands in the organized market. The competition gets fiercer with presence of unorganized players and independent milk vendors catering to the same market which has limited the bargaining power of the company and has exerted pressure on its margins.

Susceptibility to adverse regulatory changes and raw material price fluctuation risk

The raw material comprises of raw milk constitute nearly 88% of total cost of sales. The price of the raw material is sensitive to changes in government policies which in turn makes profitability margins of the company vulnerable towards government policies. Also, the milk supply and its prices are exposed to external risks like cattle diseases, yield, etc. on which the company does not have any direct control and therefore, any fluctuation in prices of milk due to any of the unforeseen circumstances, will have a direct impact on the profitability margins of the company.

Key strengths

Experienced and resourceful promoters

ADFPL is particularly managed by Mr Pardeep Tiwari, a PhD Scholar by qualification. He has an experience of nearly a decade in business through his association with this entity and other group concerns. He is supported by five other family members who are also well qualified and are actively involved in day-to-day operations of the company. Since incorporation of ADFPL in FY 18, the promoters have established comfortable relationships with both suppliers and customers. Promoters are also resourceful and support the business as and when required.

Comfortable operating cycle

Operating cycle of the company stood comfortable at 11 days for FY23. 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 around one month. 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.

Applicable criteria

[CARE Ratings' criteria on information adequacy risk and issuer non-cooperation](#)

[Policy on default recognition](#)

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

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Dairy Products

M/s. Amish Dairy & Foods Private Limited (ADFPL) was incorporated in March 2015 however, the operations started in April 2017. The company is engaged in production of pasteurized milk, dahi, butter, ghee, paneer, lassi, peda, khoya etc. The business unit is situated at village Guthani, in Siwan district of Bihar. The brand name of their product is Gopad (Gopad milk, Gopad Dahi etc). ADFPL had originally set up a milk processing unit with installed capacity of 5,000 to 10,000 Litre per day

(LPD) in the year 2017. Following a good response from the market and growing demand, the production capacity of the plant was increased to 50,000-1,00,000 LPD. ADFPL has certifications and approvals namely Food Safety License, Pollution Board Approvals and Broiler Inspection in place.

Brief Financials (Rs. crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	52.79	51.44
PBILDT	1.67	1.65
PAT	0.02	0.06
Overall gearing (times)	4.24	5.79
Interest coverage (times)	2.65	2.37

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL has continued the rating assigned to the bank facilities of ADFPL under Issuer Not Cooperating category vide press release dated December 19, 2023 on account of its inability to carry out a review in the absence of the requisite information from the company.

Any other information: Not Applicable

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

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

Complexity level of various instruments rated for this company: Please refer 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-Cash Credit		-	-	-	2.38	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	June, 2026	2.96	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	June, 2024	0.43	CARE B; Stable; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of 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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	2.38	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (17-Mar-23)	1)CARE B+; Stable (03-Mar-22)	1)CARE B+; Stable (18-Dec-20)
2	Fund-based - LT-Term Loan	LT	2.96	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (17-Mar-23)	1)CARE B+; Stable (03-Mar-22)	1)CARE B+; Stable (18-Dec-20)
3	Fund-based - LT-Term Loan	LT	0.43	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (17-Mar-23)	1)CARE B+; Stable (03-Mar-22)	1)CARE B+; Stable (18-Dec-20)

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LT: Long 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

Note on complexity levels of the rated instrument: 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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