Diya Hygiene Flours Private Limited

October 14, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	5.00	CARE B+; Stable	Downgraded from CARE BB-; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the rating assigned to the bank facilities of Diya Hygiene Flours Private Limited (DHFPL) is due to deterioration in financial risk profile marked by decline in scale of operation coupled with continued net losses during FY24 (Audited, FY refers to period April 01 to March 31) and stretched liquidity. Further, the rating continues to remain constrained due to moderate capital structure, weak debt coverage indicators and its presence in fragmented, competitive and regulated nature of industry along with volatile agro commodity prices with linkages to vagaries of nature for raw material availability.
The ratings, however, continues to derive strength from the experience of promotors and locational advantage.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustaining scale of operations marked by Total operating income (TOI) with generating adequate cash accruals to repay debt obligations.
- Sustaining comfortable operating cycle

Negative factors

- Continued cash losses and generating negative cash flows from operations

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that entity will sustain its overall financial risk profile and will continue to derive benefit from vast experience of promoters along with location advantage.

Detailed description of key rating drivers:

Key weaknesses

Decline in scale of operations with continued net losses in FY24

The scale of operations moderated marked by TOI of Rs.64.91 crore during FY24 as against Rs.78.37 crore during FY23 on account of decline in volume and sales realizations. Further, DHFPL reported TOI of Rs.38 crores in H1FY25. Profitability margins deteriorated marked by PBILDT margin of 0.02% during FY24 as against 0.52% during FY23 mainly on account of increased material cost. Further, realization was declined with increase in competition. DHFPL reported net losses of Rs. 0.34 crore during FY24 as against net loss of Rs.0.02 crore in FY23.

Moderate capital structure along with deteriorated debt coverage indicators

DHFPL's capital structure improved while remaining moderate marked by overall gearing of 1.74 times as on March 31, 2024, as against 3.20 times as on March 31, 2023. Total debt remained low mainly on account of lower utilization of working capital limits as on balance sheet date. DHFPL's debt coverage indicators deteriorated and remained weak due to cash losses reported in FY24. Interest coverage ratio deteriorated to 0.06 times during FY24 as against 1.26 times during FY23.

Fragmented and competitive nature of industry

The commodity nature of the product makes the industry highly fragmented. More than two third of the total number of players belong to unorganized sector with very less product differentiation. Due to the fragmented nature and low entry barriers in the industry, the flour mill units have limited flexibility over pricing their products which leads to low profit margins.

Volatile agro-commodity prices with linkages to vagaries of nature for raw material availability and regulated nature of the industry

DHFPL is primarily engaged in the processing of wheat. Wheat being an agricultural produce is dependent on the vagaries of monsoon. Also, it being a staple food, its price is subject to intervention by the government. In the past, the prices of wheat have remained volatile mainly on account of the government policies in respect of Minimum Support Price (MSP), along with controls

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

on its exports. Any volatility in the wheat prices will have an adverse impact on the performance of the flour mill. Further, wheat is cultivated between November-April and harvested in March-April every year. Its cultivation is dependent more on irrigation and less on the monsoon pattern. Hence, irregular rainfall patterns, improper irrigation facilities, coupled with pre-harvest and post-harvest losses can majorly impact its production and availability. The company is susceptible to supply side constraints like seasonal nature and exposure to the vagaries of monsoon. Therefore, any adverse climatic change in the region can impact the procurement plans of the company and in turn can impact the financial risk profile of the company.

Key strengths

Experienced Promoters

DHFPL is promoted by Mr. Shankar Patel and Mr. Kirit Patel who looks after the overall management of the company. Both the promoters have experience of more than three decades in the agro commodities processing industry.

Location Advantage

DHFPL's manufacturing unit is in wheat growing belt of Gujarat having large network of wheat growers from whom raw material can be acquired easily, thereby making it beneficial for DHFPL in terms of transportation and connectivity. Wheat is classified as Rabi crop having season from October to March. DHFPL's presence in wheat producing region results in benefit of consistent demand providing sustainable and clear revenue visibility.

Liquidity: Stretched

The liquidity profile of the DHFPL remained stretched marked by cash losses in FY24. Average utilization of working capital remained around 51% during past 12 months ended September 30, 2024 owing to seasonality in agro-product. Net cash flow from operating activities remained positive at Rs.1.51 crore during FY24 as against negative Rs.1.23 crore during FY23 majorly owing to decrease in inventory and receivables. The cash flows remained positive as the season for wheat began from April for current year as against March for previous year. Further, the unencumbered cash & bank balance remained low at Rs.0.11 crore as on March 31, 2024. The entity also reported cash losses during FY24. The repayment obligation for FY25 is ~Rs.0.95 crore which is expected to meet from cash flows of current year and promoters will infuse funds to in cash of inadequate cash flows. Operating cycle remained comfortable at 28 days during FY24 owing to low credit period in agro processing industry.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Nadiad (Gujarat) based Diya Hygiene Flours Private Limited (DHFPL) was incorporated in January 2011 as private limited company. Its key promoters are Mr. Shankar Patel and Mr. Kirit Patel. DHFPL is engaged in the agro processing industry and manufactures products like wheat flour, bran, maida flour, suji/rava flour etc. and has installed its manufacturing plant at Dabhan, Nadiad with an installed capacity of 150 metric tonnes per day (MTPD) as on March 31, 2024. DHFPL mainly procures raw material viz. wheat grain from surrounding regional areas in Gujarat and from various traders and farmers.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	78.37	64.91
PBILDT	0.52	0.02
PAT	-0.02	-0.34
Overall gearing (times)	3.20	1.74
Interest coverage (times)	1.26	0.06

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE B+; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	5.00	CARE B+; Stable	-	1)CARE BB-; Stable (25-Oct-23)	1)CARE BB-; Stable (02-Nov-22)	1)CARE BB-; Stable (27-Oct-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

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

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

Contact us

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