

India Dairy Feeds Private Limited

April 11, 2019

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	15.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus ; Stable; Issuer Not Cooperating)	Issuer Not Cooperating; Based on best available information
Total	15.00 (Rupees Fifteen crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **India Dairy Feeds Private Limited (IDFPL)** to monitor the rating vide e-mail communications/letters dated April 02, 2019, April 04, 2019, April 05, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on IDFPL's bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING**. Further, banker could not be contacted.

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

The ratings take into account risk of non-renewal of agreement with Kaira District Co-operative Milk Producers' Union Ltd, referred as Amul Dairy, volatile input prices and raw material availability risks, highly competitive and fragmented industry with many regional unorganized players and *leveraged capital structure with moderate debt coverage indicators*. The ratings, however, continue to draw comfort from its experienced promoters.

Detailed description of the key rating drivers

Key Rating Weaknesses

Risk of non-renewal of agreement with Kaira District Co-operative Milk Producers' Union Ltd, referred as Amul Dairy

IDPL has entered into authorized agreement with Kaira District Co-operative Milk Producers' Union Ltd, referred as Amul Dairy in August, 2016 for a period of 5 years. Accordingly there is a risk involved pertaining to renewal of the agreement. Further, the agreement may be terminated on violation of certain clauses.

Volatile input prices and raw material availability risks

The prices of major inputs like DORB, maize, mustered oil cake, bajra etc. are mostly agricultural products and dependent on vagaries of nature. Accordingly, any volatility in input prices due to vagaries of nature may adversely affect the profitability of the company. Moreover there may be a negative impact of adverse climate conditions on the availability of raw materials.

Highly competitive and fragmented industry with many regional unorganized players

The cattle feed industry is highly competitive and fragmented with many regional unorganized players. IDPL is expected to face severe competition from unorganized players apart from availability of cheaper substitutes (like cotton seedcake, copra etc.) exposing it to pricing and profitability pressures.

Leveraged capital structure with moderate debt coverage indicators

The capital structure of the company remained leveraged marked by long term debt equity ratio and overall gearing ratio of 3.92x and 4.41x respectively in FY18. However, the interest coverage ratio of the company remained satisfactory at 4.41x in FY18.

Key Rating Strengths

Experienced promoter

The promoters of IDPL are Shri Anirban Nath (ICWAI Inter), Smt. Susmita Nath (Graduate) and Shri Surajit Chakravarti (Post Graduate). Shri Anirban Nath (Managing Director) aged about 47 years has more than two decades of experience in similar line of business and is involved in the strategic planning and running the day to day operations of the company. He is being duly supported by other directors along with a team of experienced professionals.

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

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

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

[CARE's methodology for manufacturing companies](#)

About the Company

India Dairy Feeds Private Limited (IDPL), incorporated in the year 2014 was promoted by Shri Anirban Nath, Smt. Susmita Nath and Shri Surajit Chakravarti of Kolkata. IDPL set up a unit engaged in manufacturing of cattle feed at Bankura, West Bengal with installed capacity of 30000 MTPA. IDPL has entered into authorized agreement with Kaira District Co-operative Milk Producers' Union Ltd, referred as Amul Dairy in August, 2016 for a period of 5 years, whereby Amul Dairy will obtain cattle feed of different types produced by IDPL, packed in HDPE bags or in different pack sizes as decided by Amul Dairy, with the objective of marketing the cattle feed under 'Amul' brand in Kolkata and other markets in the eastern region as decided by Amul dairy. Shri Anirban Nath, the Managing Director, looks after the day to day operations of the entity along with a team of experienced personnel.

Liquidity

The liquidity position of the firm remained moderate marked by current ratio of 0.85x and quick ratio of 0.51x as on March 31, 2018. The Gross cash accruals also remained moderate at Rs.2.47 crore as on March 31, 2018.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	10.08	51.23
PBILDT	0.80	3.39
PAT	-0.57	0.76
Overall gearing (times)	9.34	4.69
Interest coverage (times)	1.53	4.41

A= Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable.

Rating History (Last three years): Please refer Annexure-2

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	June 2023	6.44	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	8.07	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Bank Guarantee	-	-	-	0.49	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; 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 (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	6.44	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (08-Feb-18)	1)CARE B+; Stable (30-Dec-16)
2.	Fund-based - LT-Cash Credit	LT	8.07	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (08-Feb-18)	1)CARE B+; Stable (30-Dec-16)
3.	Fund-based - LT-Bank Guarantee	LT	0.49	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (08-Feb-18)	1)CARE B+; Stable (30-Dec-16)

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