

## India Dairy Feeds Private Limited

June 16, 2020

### Rating

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

\*Details of facilities in Annexure-1

#### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from India Dairy Feeds Private Limited (IDFPL) to monitor the ratings vide e-mail communications/letters dated June 01, 2020, June 02, 2020, June 03, 2020 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/ CARE A4; ISSUER NOT COOPERATING**. Further, the 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 rating takes 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 rating, however, continues 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 2.24x and 3.33x respectively in FY19. However, the interest coverage ratio of the company remained satisfactory at 4.36x in FY19.

#### 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.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://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' and 'credit watch'](#)

[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.

Brief Financials (Rs. crore)	31-03-2018	31-03-2019
	A	A
Total operating income	51.23	62.82
PBILDT	3.39	4.03
PAT	0.76	1.15
Overall gearing (times)	4.69	3.33
Interest coverage (times)	4.41	4.36

A: Audited

**Status of non-cooperation with previous CRA:** Not available

**Any other information:** Not Applicable.

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

**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	-	-	Dec.2023	6.44	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	8.07	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Bank Guarantee	-	-	-	0.49	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	6.44	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (11-Apr-19)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (08-Feb-18)
2.	Fund-based - LT-Cash Credit	LT	8.07	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (11-Apr-19)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (08-Feb-18)
3.	Fund-based - LT-Bank Guarantee	LT	0.49	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (11-Apr-19)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (08-Feb-18)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### **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.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**