

Modern Dairies Limited

April 06, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	121.25	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Issuer not cooperating; on the basis best available information
Short-term Bank Facilities	4.10	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Issuer not cooperating; on the basis best available information
Total Facilities	125.35 (Rupees One Hundred Twenty Five crore and Thirty Five lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Modern Dairies Limited (MDL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's rating on MDL's bank facilities will now be denoted as **CARE D; 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 ratings take into account ongoing delays in debt servicing due to stressed liquidity position. The ratings further remain constrained by the weak financial risk profile of the company.

Detailed description of the key rating drivers

At the time of last rating on April 28, 2017 the following were the rating strengths and weaknesses (updated for the information available from the Bombay Stock Exchange).

Key rating weakness

Ongoing delays in debt servicing: The company's bank account was classified as a Non Performing Asset (NPA) in March-2016 on account of ongoing delays in servicing of the debt obligation.

Weak financial risk profile: MDL achieved a total income of Rs.457.72 crore during FY17 (refers to the period April 01 to March 31) which declined by ~8% from FY16. The company continued to remain in losses at the operating and cash level in FY17. The overall solvency position of the company, therefore, also remained weak.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer

CARE's policy on default recognition

Financial ratios – Non-Financial Sector

CARE's methodology for manufacturing companies

Criteria for short-term instruments

About the Company

MDL was setup by MrKrishan Kumar Goyal in 1992 with an initial milk processing capacity of 3.25 lakh litre of milk per day (LLPD). For liquid milk, the company has a tie-up with Mother Dairy for complete off-take of 2 LLPD. Ghee is sold through the company's own retail channel and through bulk sales under the brand name of 'SHWETA' and 'MODERN DAIRIES'. The

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

company supplies products like skimmed milk powder and other milk products like whole milk powder, mozzarella cheese, casein to various institutional buyers while its current focus is on sale of Fresh dairy products, cheese, ghee etc. MDL has also started supplying milk and various milk products in and around the National Capital Region (NCR). MDL registered a total operating income of Rs.457.72 crore during FY17 with a net loss of Rs.13.36 crore as against a total operating income of Rs.497.19 crore during FY16 with a net loss of Rs.24.24 crore. In 9MFY18 (Provisional), the company has registered a total operating income of Rs.344.91 crore with a net loss of Rs.8.65 crore as against a total operating income of Rs.348.15 crore with a net loss of Rs.22.05 crore in 9MFY17 (Provisional).

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

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

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. 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-Cash Credit	-	-	-	56.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	September-2018	65.25	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-BG/LC	-	-	-	4.10	CARE D; 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	65.25	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (28-Apr-17)	1)CARE D (29-Apr-16)	1)CARE D (21-Apr-15)
2.	Fund-based - LT-Cash Credit	LT	56.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (28-Apr-17)	1)CARE D (29-Apr-16)	1)CARE D (21-Apr-15)
3.	Non-fund-based - ST-BG/LC	ST	4.10	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE D (28-Apr-17)	1)CARE D (29-Apr-16)	1)CARE D (21-Apr-15)

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