



Press Release

Nature Delight Dairy and Dairy Products Private Limited

June 27, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	112.14	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	10.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	122.14	Rupees One hundred and twenty-two crore and fourteen lakh Only		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Nature Delight Dairy and Dairy Products Private Limited continues to draw comfort from experienced promoter and their financial support to the company, significant share of value-add dairy products in the revenue profile though current focus remains on traditional products, growing scale of operations, healthy business relationship with suppliers and moderate credit metrics and operating cycle in the past fiscals. However, these strengths are constrained by thin profit margins, stiff competition from organised co-operatives, private players and unorganised sector pressurizing profitability of dairy companies, sensitivity to SMP stock and institutional demand, exposure of milk production to external factors such as climatic conditions and cattle diseases; as also to Government regulations on pricing of milk and milk products.

Key Rating Sensitivities:

Upward Factors

- Sustained and significant improvement in the scale of operations while maintaining profitability & protection metrics on a consolidated basis.

Downward Factors



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- Any decline in scale of operations and/or profitability, leading significant deterioration of debt protection metrics and/or on a consolidated basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and their financial support to the Company:

NDPPL is promoted by Pune based Desai family, which has a long presence in the infrastructure industry. The operations of the Company are managed by Mr. Mayur Jamdar (director), who is Msc. in Biotechnology and has more than 7 years of experience in dairy business, which has helped the Company to stabilise as well as increase the business operations in less than 3 years' time after commencement of its business in 2017. The promoter group has supported the operations of the company from time to time through infusion of funds.

Significant share of value-add dairy products in the revenue profile though current focus remains on traditional products: The revenue profile remains dominated by milk followed closely by value-add dairy products. Within the dairy products, the revenues in the past have been dominated by traditional products like ghee, paneer, dahi etc. The group though focusses on traditional milk products, it has chalked plans to accommodate western products in its portfolio which is expected to widen the operating margins going forward which also will be the key monitorable.

Growing scale of operations: TOI increased by 30% in FY22 to Rs. 978.80 crore from Rs. 751.54 crore in FY21 mainly on account of increase in sale volume along with increase in sales realization of its products. As per the provisional figures, the company has reported PAT of Rs. 17.00 crore on total operating income of Rs. 1629.15 crore in FY23 .

Healthy business relationship with suppliers: The promoters have established a healthy business relationship with the farmers in the Pune and Nashik region by providing quality cattle feed which has increased the milk production. These farmers are the major suppliers of raw milk to NDPPL, which mitigates the risk of milk supply to the Company.

Moderate credit metrics and operating cycle in the past fiscals:



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The TNW (including quasi equity) of the company stood at Rs. 85.39 Cr as on March 31, 2022 as against Rs. 49.58 Cr as on March 31, 2021. Unsecured loans to the tune of Rs. 51.88 crore as on March 31, 2022 have been considered as quasi-equity as the same are subordinate to bank debt. The overall gearing stood moderate at 1.03x as on March 31, 2022, improved from 3.07x as on March 31, 2021 mainly due to lower utilization of working capital bank borrowing as on balance sheet date. Further, total indebtedness of the company as reflected by TOL/TNW improved from 6.28x as on March 31, 2021 to 2.97x as on March 31, 2022. Interest coverage has deteriorated from 2.55x in FY21 to 2.07x in FY22 due to increase in interest expenses. Total debt to GCA stood at 6.23x as on March 31, 2022 improved from 12.55x as on March 31, 2021. Operating cycle stood at 40 days in FY22 as against 38 days in FY21.

Key Rating Weaknesses

Thin profit margins

Owing to intense competition in the sector, the profit margins of the Company are thin. Further, due to outsourced processing of excess milk procurement, the EBIDTA margins remained at 3.17% in FY22 as compared to 3.06% in FY21. PAT margin has remained thin at 0.55% in FY22 and 0.50% in FY21. GCA stood at Rs. 14.11 Crore in FY22 improved from Rs. 12.14 Crore in FY21.

Stiff competition from organised co-operatives, private players and unorganised sector pressurizing profitability of dairy companies, sensitivity to SMP stock and institutional demand

The milk and milk products industry are characterized by intense competition from organized co-operatives, large private players and unorganized players. Apart from this, the profitability of dairy entities also remains vulnerable to the skimmed milk powder inventories as well institutional demand, any adverse movement is likely to have a bearing on their profitability. The company's profitability has remained under pressure with EBIDTA margins at around 3% in the past fiscals while the net profit margins have remained below 1% in the past fiscals. Margin expansion will be a key monitor, going forward.

Exposure of milk production to external factors such as climatic conditions and cattle diseases; as also to Government regulations on pricing of milk and milk products



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Milk availability is influenced to a great extent by agro-climatic conditions, which plays a major influence in the tropics. The industry is vulnerable to risks associated with the failure of milk production due to external factors like cattle diseases and extension of the lean season due to drought-like conditions, which ultimately affects milk availability and hence prices. The price of the dairy industry's raw material, milk, is sensitive to Government policies, environmental conditions factors.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for manufacturing sector

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

Comments on liquidity: The company's liquidity is adequate marked by expectation of sufficient cushion in cash accruals against its debt repayments in the next 2 years. However, the company's average utilisation of fund-based limits stood high at 96.59% during the past 12 months ended April 2023. The company has a Current Ratio and quick ratio of 1.05x and 0.26x respectively as of March 31, 2022. The Unencumbered cash and bank balance of company stands at Rs.0.40 Crores and Rs. 0.29 Crore as on March 31, 2022 and Feb 28, 2023 respectively. The Working Capital Cycle of the company stood at 40 days in FY22 as against 38 days in FY21.

About the Company

NDPPL is promoted by Pune based Desai family, which has a long presence in the infrastructure industry. The operations of the Company are managed by Mr. Mayur Jamdar (director), who is Msc. in Biotechnology and has more than 7 years of experience in dairy business, which has helped the Company to stabilise as well as increase the business operations in less than 3 years' time after commencement of its business in 2017. Nature Delight Dairy & Dairy Products Pvt. Ltd. is an established company basically deals into milk collections and its processing, manufacturing of milk products viz. butter, ghee, skimmed milk powder and its variant's.



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Financials (Standalone):

For the year ended/As on*	30-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	751.54	978.80
EBITDA	23.03	30.99
PAT	3.75	5.39
Total Debt	152.37	87.89
Tangible Net Worth (incl. quasi equity)	49.58	85.39
Ratios		
EBITDA Margin (%)	3.06	3.17
PAT Margin (%)	0.50	0.55
Overall Gearing Ratio (x)	3.07	1.03

*Classification as per infomerics' standards

Status of non-cooperation with previous CRA: NIL

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (July 04, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	65.00	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Credit watch with developing implications	--
2	Term Loan	Long Term	47.14	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Credit watch with developing implications	--
3	Bill Discounting	Short Term	10.00	IVR A3	--	--	--

Name and Contact Details of the Rating Analyst:

Name: Pratima Jangid	Name: Harsh Raj Sankhla
Tel: (011) 45579024	Tel: (011) 45579024



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Email: pratima.jangid@infomeric.com

Email: harshraj.sankhla@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility-Cash Credit	-	-	-	65.00	IVR BBB-/Stable
Long Term Bank Facility-Term Loan	-	-	September 2026	47.14	IVR BBB-/Stable
Short Term Bank Facility- Bill Discounting	-	-	-	10.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: <https://www.infomerics.com/admin/prfiles/Lender-27062023-NDDDPPL.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.