



Press Release

Ananda Dairy Limited

May 16, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Previous Ratings	Current Ratings	Rating Action	Complexity Indicator
Long term Bank Facility	221.75 (enhanced from Rs 214.50 Crore)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short term Bank Facility	28.25 (reduced from Rs 63.25 Crore)	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	250.00	Rupees Two Hundred and Fifty Crore Only			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has reaffirmed long-term rating at IVR BBB with a Stable Outlook and short-term rating at IVR A3+ for the bank loan facilities of Ananda Dairy Limited (ADL).

The rating continues to draw comfort from its extensive experience of the promoters in the dairy industry, adequate milk procurement network spread across northern India states, satisfactory distribution network, moderate share of value-add dairy products in the revenue profile though current focus remains on traditional products, improved scale of operations and satisfactory debt protection metrics. However, the ratings remain constrained by moderate capital structure, low profit margins, stiff competition from organised co-operatives, private players & unorganised sector pressurizing profitability of dairy companies, exposure of milk production to external factors & perishable nature of products.

The outlook is expected to remain stable owing to continuation of comfortable financial risk profile of the company.



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IVR has principally relied on the standalone audited financial results of Ananda Dairy Limited up to 31 March 2023, FY24 provisional financials, and projected financials up to FY27, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in the operating income and profitability resulting in the improvement of the financial risk profile and liquidity profile of the company.
- Improvement in capital structure and effective working capital management with improvement in operating cycle and liquidity

Downward Factors

- Dip in operating income and/or profitability, leading to deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned large capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters in the dairy industry

Ananda Dairy Limited is part of the Ananda group promoted by Dr. Radhey Shyam Dixit having experience of around 3 decades, established healthy relationship with suppliers & customers and understanding with marketing dynamics. He is well supported by his sons and an experienced team of professional to manage the day-to-day operations. After starting as a distributor of various milk products around 1980, Mr. Dixit has evolved brand Ananda to its current levels and gained healthy brand visibility primarily in North India dairy market. The group through the years has established its products in its catchment area through brands Ananda and cattle feed brand Nanda.

Adequate milk procurement network spread across northern states, satisfactory distribution network

The procurement matrix is spread across the states of Uttar Pradesh and Uttarakhand close to the NCR region as also Kanpur. The group majorly comprising of Ananda Dairy Limited and Dairy India Private Limited has a procurement network which consists of 40 districts, more than 6000 villages and 3 Lakh farmers, 35 milk chilling centres and network of bulk cooling centres proximate to the NCR region primarily presents location advantage in terms of logistics given the physiological sensitivity of the product (milk) as also provides for some cost advantage. The group over the years has established distributor network covering 2500+



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distributors and 7500+ retailers spread across various states. Going forward, the company plans to expand into the southern India, overseas markets and will be focusing on increasing its visibility on the online & other platforms to enhance its scale.

Share of value-add dairy products in the revenue profile though current focus remains on traditional products

The revenue profile remains dominated by milk (~42%), followed closely by value-add dairy products (~56%) and rest from cattle feed in FY23. Currently in FY24 provisional, overall, the company generated ~45% revenue from milk, ~53% from milk products and remaining from cattle feed. Within the dairy products, the revenues in the past have been dominated by traditional products like ghee, paneer, milk powder etc. Operating under a third-party transportation and distribution (TCD) model, the company orchestrates the movement of materials from its manufacturing facilities to designated distributor locations. Under this model, the TCD service collects materials directly from the factory, ensuring timely and reliable delivery to distributor locations. Additionally, the company has established strategic logistic partnerships in several states to further optimize distribution operations. The group though focusses on traditional milk products, it has currently planned to accommodate western products in its portfolio which is expected to widen the operating margins going forward which also will be the key monitorable.

Improved scale of operations

Though there was some decline in revenue in FY21, the company has done well FY21 onwards. There has been growth in the topline over the last 3 FYs i.e. the total operating income of the company has improved from Rs 1457.71 crore in FY22 to Rs 1608.91 crore in FY23 and currently the company registered total revenue of Rs 1632.96 crore in FY24 provisional.

Satisfactory debt protection metrics

The debt protections parameters of the company remained comfortable, marked by interest service coverage ratio (ISCR) of 2.01x in FY23 (PY: 1.90x), improved to 2.22x in FY24 provisional. Debt service coverage ratio (DSCR) is low, however improved to 1.05x in FY23 against 0.86x in FY22 and currently estimated at 1.41x in FY24 provisional.

B. Key Rating Weaknesses

Moderate capital structure

The company has modest capital structure; overall analysed gearing stood at 2.09x in FY23 as against 2.62x in FY22, which improved to 1.21x in FY24 provisional. Total indebtedness of the company as reflected by the analysed TOL/ATNW at 3.40x in FY23 as against 3.87x in FY22, improved to 2.29x in FY24 provisional.



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Low profit margins

EBIDTA margins declined to 2.95% in FY23 as compared to 3.25 % in FY22 due to increase in the cost of production, while PAT margins stood low at 0.69% in FY23 (PY:0.76%). Though the profit margins improved in FY24 provisional but still low i.e EBITDA & PAT margins stood at 3.25% and 1.09% respectively. Rationalization of operating costs other than the milk procurement costs will be a key rating monitorable, going forward.

Stiff competition from organised co-operatives, private players and unorganised sector pressurizing profitability of dairy companies

The milk and milk products industry are characterised by intense competition from the organised co-operatives, large private players and unorganized players. Apart, the profitability of dairy entities also remains vulnerable to the SMP (Skimmed Milk Powder) inventories as well institutional demand, any adverse movement is likely to have a bearing on their profitability. The company profitability has remained under pressure with EBIDTA margins on an average at around 3.4% in the past 3 fiscal years till FY23. Volatility in profit margins will be a key monitorable, going forward.

Exposure of milk production to external factors and perishable nature of products

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 affect milk availability and hence prices. The price of the dairy industry's raw material, milk, is sensitive to government policies, environmental conditions factors. Milk and some milk-based products have a perishable nature and cannot be stored for longer periods or transported over long distances. In order to maintain the quality & freshness of the products, milk-based products require specific storage conditions which may increase the cost of storage to an extent and hence effect the profitability.

Analytical Approach: Standalone

Applicable Criteria:

- Rating Methodology for Manufacturing Companies
- Financial Ratios & Interpretation (Non- Financial Sector)
- Criteria for assigning rating outlook
- Default Recognition Criteria

Liquidity –Adequate



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The company generated cash accruals of Rs 24.12 Crs in FY23 and Rs 27.81 Crs in FY24 provisional against the current portion of long-term debt (CPLTD) of Rs 21.80 Crs & Rs 13.17 Crs in FY23 and FY24 provisional respectively and expected to generate cash accruals in the range of ~Rs.26-27 crore as against its CPLTD of ~Rs. 16-22 crore FY24-27. Free cash balance of ~Rs.2.65 Crs and Rs 4.88 Crs as on March 31, 2023 and March 31, 2024. The overall utilisation of the fund-based limits remains high ~90% during the last 12 months ended March 2024. The current ratio stood at 1.26 times as on 31st March 2023.

About the Company

Ananda Dairy Limited Incorporated in July 2004 as RSD Foods Pvt Limited (RSDFPL) by Mr. RS Dixit (Chairman Managing Director). The name was then changed to Gopaljee Dairy and Foods Pvt Ltd on March 1st, 2008. The name was again changed to the present name of the company. Ananda is one of the leading dairy products manufacturers in India having four plants in Uttar Pradesh (No1 state in India in Milk) near Bulandshahr (Syana), Pilakhua, Gajroula and Kanpur.

Financials (Standalone):

	(Rs. Crore)	
For the year ended*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	1457.71	1608.91
EBITDA	47.40	47.46
PAT	11.10	11.21
Total Debt	293.46	263.56
Analysed Tangible Net worth	112.06	126.32
EBITDA Margin (%)	3.25	2.95
PAT Margin (%)	0.76	0.69
Analysed Overall Gearing Ratio (x)	2.62	2.09

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Rating continues the rating in Issuer Non-Cooperation category dated Aug 01, 2023 due to non-submission of date and cooperation (Formerly known as Gopaljee Dairy Foods Pvt. Ltd).

Any other information: None



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 (March 24, 2023)	Date(s) & Rating(s) assigned in 2021-22 (Jan 12, 2022)	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based Facilities	Long Term	221.75	IVR BBB/ Stable	-	IVR BBB/ Stable	IVR BBB+/ CWDI*	-
2.	Fund Based Facilities	Short Term	28.25	IVR A3+	-	IVR A3+	IVR A2	-
3.	Non Fund Based	Short Term	5.00	IVR A3+	-	-	-	-

** Credit Watch with Developing Implications*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit



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ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Fund Based (GECL)	-	-	Nov,2027	49.15	IVR BBB/ Stable
Long Term Bank Facility – Fund Based (Corporate Loan-L)			June,2029	20.00	IVR BBB/ Stable
Long Term Bank Facility – Fund Based (TL)			May,2032	15.00	IVR BBB/ Stable
Long Term Bank Facility – Fund Based (Proposed)			-	2.60	IVR BBB/ Stable
Long Term Bank Facility – Fund Based (CC)			-	135.00	IVR BBB/ Stable
Short Term Bank Facility – Fund Based (SLC)			-	8.25	IVR A3+
Short Term Bank Facility – Fund Based (WHR)				15.00	IVR A3+
Short Term Bank Facility – Non Fund Based (BG)				5.00	IVR A3+

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-AnandaDairy-may24.pdf>

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



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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 [Complexity Level of Rated Instruments/Facilities](#).