



Press Release

Ananda Dairy Limited

March 24, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Previous Ratings	Current Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	214.50 (reduced from Rs.234.76 crore)	IVR BBB+/ Credit Watch with developing Implications (IVR Triple B Plus with Credit Watch with developing Implications)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Downgraded; Removed from credit watch and Outlook assigned	Simple
Short Term Bank Facilities	63.25 (enhanced from Rs.16.19 crore)	IVR A2/ Credit Watch with developing Implications (IVR A Two with Credit Watch with developing Implications)	IVR A3+ (IVR A Three Plus)	Downgraded; Removed from credit watch	Simple
Total	277.75	Rupees Two Hundred Seventy Seven Crore and Seventy Five Lakhs Only			

Details of Facilities are in Annexure 1

Detailed Rationale

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

The rating has been removed from credit watch and downgraded due to DSCR below unity and leveraged capital structure of the company in FY22.

The rating draw comfort from its extensive experience of the promoters in the dairy industry, adequate milk procurement network spread across northern states, satisfactory distribution network, significant share of value-add dairy products in the revenue profile though current



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focus remains on traditional products and healthy scale of operations. however, these strengths are partially offset by stretched operating cycle in the past, leveraged credit metrics in the past fiscals, stiff competition from organised co-operatives, private players and unorganised sector pressurizing profitability of dairy companies, sensitivity to SMP stock and institutional demand and 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.

IVR has principally relied on the standalone audited financial results of ADL upto 31 March 2022, 9MFY23 (prov) and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in the operating income and profitability resulting in the improvement of the financial risk profile and liquidity profile of the company.
- Effective working capital management with improvement in operating cycle and liquidity.
- Improvement in the debt protection metrixs.

Downward Factors

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

List of Key Rating Drivers with Detailed Description



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Key Rating Strengths

Extensive experience of the promoters in the dairy industry

The Ananda group is promoted by Mr. Radhe Shyam dixit who remains well supported by his sons and an experienced team of professional to manage the day-to-day operations. After a modest start as a distributor of various milk products around 1980, Mr. Dixit has evolved brand Ananda to its current levels and remains a notable name in primarily North India dairy market though the group has attempted to venture in the new markets like rest of India and overseas in the recent. 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

Ananda group procurement matrix is spread across the states of Uttar Pradesh and Uttarakhand close to the NCR region as also Kanpur. Presence of the procurement network which consists of close as reflected by over 5000 village level collections centres and 35 chilling centers. and network of bulk cooling centers proxime 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 an efficient distributor network covering 2500 distributors and 7500 retailers spread across various states. Going forward, the company plans to expand into the southern, overseas markets and increase its visibility on the online platforms to enhance its scale.

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

The revenue profile remains dominated by value-add dairy products (51% in FY22). 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 for the to accommodate western products in its portfolio which is expected to widen the operating margins going forward which also will be the key monitorable.



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Healthy scale of operations

ADL scale remains healthy with revenues in the Rs.1300 crore to Rs.1450 crore bracket in the past few fiscals. While the revenues have remained at close to Rs.1500 crore in FY2020, given the subdued demand especially from the institutional customers and the logistics constraints impeding transport of products had impacted the revenues in FY2021 which remained at Rs. 1351.21 crore. The company in FY22 has reported Rs.1457.71 crore revenues given the reset of demand and logistics given the rapid normalization post Covid.

Key Rating Weaknesses

Leverage Capital Structure

The company's debt profile remains dominated by working capital followed by term loans. The overall gearing stood leveraged at 3.03x in FY22 as against 3.28x in FY21. Total indebtedness of the company as reflected by the TOL/TNW at 4.31x in FY22 as against 4.24x in FY21.

Stretched operating cycle in the past

Driven by year-end inventory levels, the operating cycle has remained stretched at 81 days as on March 31, 2022 as against 82 days as on March 31, 2021. Though the company to an extent has been able to maintain the debtor – creditor equilibrium in the past fiscals, the movement in the same will be a key monitorable, going ahead.

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 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 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 at around 3%



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in the past fiscals while the net profit margins have remained below 1% in the past fiscals. Margin expansion will be a key monitorable, 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

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.

Analytical Approach: For arriving at the ratings, IVR has analysed ADL's credit profile by considering the standalone financial statements of the trust.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity –Adequate

The liquidity position of the company remains adequate marked by expectation of sufficient cushion in cash accruals in the range of Rs.24.00-34.00 crore as against its debt servicing obligation of ~Rs.21.00- 19.00 crore FY23-25. Further, the company had gross cash accruals of Rs. 19.44 crore in FY22 and free cash balance of Rs.2.78 crore as on March 31, 2022. The overall utilisation of the fund-based limits remains high at 93.00% during the last 12 months ended December 2022. The current ratio stood at 1.30 times as on 31st March 2022.



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About the Company

ADL 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*	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	1315.21	1457.71
EBITDA	50.48	47.40
PAT	9.30	11.10
Total Debt	286.18	290.54
Tangible Net worth	90.52	112.06
EBITDA Margin (%)	3.84	3.25
PAT Margin (%)	0.71	0.76
Overall Gearing Ratio (x)	2.82	2.53

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickworks Ratings in its press release dated July 14, 2022 has continued the rating of Ananda Dairy Limited under "Issuer Not Cooperating" category due to unavailability of adequate information.

Any other information: None

Rating History for last three years:

		Current Ratings (Year 2022-23)	Rating History for the past 3 years
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Sr. No.	Name of Instrument/Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Jan 12, 2022)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Facilities	Long Term	214.50 (reduced from Rs.234.76 crore)	IVR BBB /Stable	IVR BBB+/ Credit watch with developing implications	-	-
2.	Fund Based Facilities	Short Term	63.25	IVR A3+	-	-	-
3.	Non Fund Based Facilities	Short Term	8.25 (reduced from Rs.16.19 crore)	IVR A3+	IVR A2/ Credit watch with developing implications	-	-

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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.



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

For more information visit www.infomerics.com.

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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
Term Loan	-	-	-	59.79	IVR BBB/ Stable
Covid Loans	-	-	-	7.96	IVR BBB/ Stable
Term Loan	-	-	-	1.75	IVR BBB/ Stable
Cash Credit	-	-	-	60.00	IVR BBB/ Stable
Cash Credit	-	-	-	45.00	IVR BBB/ Stable
Cash Credit	-	-	-	10.00	IVR BBB/ Stable
Cash Credit	-	-	-	30.00	IVR BBB/ Stable
WC DL- Warehouse receipts	-	-	-	55.00	IVR A3+
Stand by Line of Credit	-	-	-	8.25	IVR A3+



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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Ananda-mar23.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 [Complexity Level of Rated Instruments/Facilities](#).