



Press Release

Chanakya Dairy Products Private Limited

January 08, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Instruments	181.97 (enhanced from Rs 151.97 crore)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Total	181.97 (INR One- hundred and eighty-one crore and ninety-seven lakhs only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the long-term rating assigned to the bank facilities of Chanakya Dairy Products Private Limited (CDPPL) continues to derive comfort from its experienced promoters and established presence in the dairy industry, adequate milk procurement network spread across Punjab along with satisfactory distribution network, significant share of value-add dairy products in the revenue profile and continuous growth. These rating strengths are partially offset by decline in profitability and coverage indicators in FY24 (Refers to the period April 01, 2023 to March 31, 2024) albeit improvement in capital structure, stiff competition from organised co-operatives, private players and unorganised sector pressurizing profitability of dairy companies, 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 and working capital intensive nature of operation.

The long-term rating outlook of the company is stable driven by sustained improvement in business and financial risk profile, coupled with experienced promoters and favourable demand outlook in the overall industry.



Press Release

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and debt protection metrics.
- Improvement in capital structure with improvement in overall gearing to below unity

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators
- Further deterioration in capital structure with increase in debt

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Promoters and established presence in the dairy industry**

The promoter Mr. Vinod Kumar Dutt has around three decades of experience in the dairy industry. The rich experience of the promoter has helped Chanakya Dairy Products Pvt Ltd maintain healthy relationship with the suppliers. Furthermore, the company was incorporated in 2004 and has established operation existence of around 20 years.

- **Adequate milk procurement network spread across Punjab along with satisfactory distribution network**

CDPPL's procurement matrix is spread across the states of Punjab, Rajasthan and Haryana. Presence of the procurement network which consists of 11 chilling centers and network of bulk cooling centers which is in proximity to the Punjab, provides location advantage in terms of logistics given the physiological sensitivity of the product (milk) as also provides for some cost advantage. On the other hand, the group over the years has established an efficient distributor network covering a large network of dealers and retailers spread across Himachal Pradesh, Punjab, Haryana, and Chandigarh. Going forward, the company plans to expand into the markets of Rajasthan and increase its market penetration in the market.



Press Release

- **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 (53% in FY2024 in CDPPL). Within the dairy products, the revenues in the past have been dominated by traditional products like ghee, paneer, dahi etc. CDPPL though focusses on traditional milk products, it has also initiated new products like flavoured milk, ice cream and UTH milk. For these new products, shelf-life is longer and fetches higher operating margin.

- **Continuous growth in scale**

CDPPL's total operating income witnessed improvement by ~16% and stood at Rs.501.77 crore in FY24, in comparison to Rs 432.32 crore of revenue being booked in FY23 (Refer to the period April 01, 2022 to March 31,2023). The growth is driven by the recent expansion into a dedicated unit for UHT milk, ice cream, and beverages. The CAGR growth of past 3 years ending FY24 stood at ~16%.

Key Rating Weaknesses

- **Decline in profitability and coverage indicators in FY24 albeit improvement in capital structure**

The company's EBITDA grew modestly by 3% year-on-year to Rs. 51.97 crore in FY24, from Rs 50.29 crore in FY23, impacted by rising milk prices and stabilization of the new UHT milk and ice cream unit. Furthermore, PAT declined by 53% to Rs. 3.62 crore from Rs 7.65 due to increase in interest costs. EBITDA margins fell by 127 basis points to 10.36% (PY:11.63%), and PAT margins dropped by 105 basis points to 0.72% (PY: 1.77%). However, capital structure improved as total debt levels reduced to Rs. 183.74 crore from Rs. 212.32 crore, resulting in improvement in overall gearing to 2.08x from 2.46x. Also, total indebtedness as depicted by TOL/TNW improved at 3.04x as on March 31, 2024, from 3.31x as on March 31, 2023. Despite this, lower profitability led to moderation in coverage ratios: the interest coverage ratio declined to 2.60x from 3.70x, and DSCR decreased to 0.98x from 1.62x due to reduced cash accruals against high debt repayments. However, Total Debt/GCA slightly improved to 6.49x from 6.53x in FY23.

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



Press Release

The milk and milk products industry is 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.

- **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, and epidemic-related factors. The Milk and Milk Products Order (MMPO) regulates milk and milk products production in the country.

- **Working capital intensive nature of operation**

The operation of the CDPPL is working capital intensive as the company needs to procure its raw materials i.e. raw milk mostly on advance basis or with minimum credit period and on the other hand has to store finish goods at the end of the year to supply in summer season. Operating cycle as on March 31, 2024 stood elongated at 87 days (PY:77 days). Average collection period remains low at 7 days in FY24 (4 days in FY23). Inventory days as on March 31, 2024 stood at 131 days (PY:116 days) and creditor days as on March 31, 2024 stood at 51 days (PY:43 days).

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

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

Liquidity –Adequate



Press Release

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals to meet the term debt repayment in the period FY25-FY27. However, the average fund-based utilisation for the past twelve months ended October,2024 remained high at ~90% indicating a limited cushion.

About the Company

Chanakya Dairy Products Private Ltd. (CDPPL) was established 2005 as an Integrated Project in Dairy Business, the company collaborated with Punjab Agro Industries Corporation Ltd. to set up the project at Mandi Gobindgarh, Punjab. The company is engaged in manufacturing of products like Pasteurized packaged milk, UHT Milk, icr cream and other value added products like milk powder, dairy whitener, butter, pure ghee, curd, lassi & paneer under 'HF-SUPER' brand through its 2 units located in Gobindgarh, Punjab. The company's marketing network consists of distributors & dealers/sub dealers/retailers in the States of Himachal Pradesh, Punjab, Chandigarh, and Haryana.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	432.32	501.77
EBITDA	50.29	51.97
PAT	7.65	3.62
Total Debt	212.32	183.74
Tangible Net Worth	86.30	88.44
EBITDA Margin (%)	11.63	10.36
PAT Margin (%)	1.77	0.72
Overall Gearing Ratio (x)	2.46	2.08
Interest Coverage (x)	3.70	2.60

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable



Press Release

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)				Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					November 14, 2024	September 01, 2023	April 03, 2023	-	March 12, 2022
1	Term Loans	Long Term	98.37	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	IVR BB+/ Negative Issuer Not Cooperating*	-	IVR BBB/ Stable
2	GECL	Long Term	13.60	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	-	-	-
3	Working Capital Demand Loan	Long Term	43.00	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	IVR BB+/ Negative Issuer Not Cooperating*	-	IVR BBB/ Stable
4	Cash Credit	Long Term	26.00	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	IVR BB+/ Negative Issuer Not Cooperating*	-	IVR BBB/ Stable
5	DLOD	Long Term	1.00	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	-	-	-

*Issuer did not cooperate; based on best available information

Analytical Contacts:

Name: Sandeep Khaitan

Tel: (033) 46022266

Email: sandeep.khaitan@infomerics.com

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).



Press Release

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

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

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

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
OCC	-	-	-	-	2.00	IVR BBB/ Stable
WCDL	-	-	-	-	43.00	IVR BBB/ Stable
GECL Ext.	-	-	-	Sept-26	6.82	IVR BBB/ Stable
Term loan 1	-	-	-	Sept-25	3.14	IVR BBB/ Stable
Cash Credit	-	-	-	-	24.00	IVR BBB/ Stable



Press Release

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL Ext	-	-	-	Mar-28	6.78	IVR BBB/ Stable
Term loan 2	-	-	-	Mar-28	5.91	IVR BBB/ Stable
Term loan 3	-	-	-	Sept-25	9.12	IVR BBB/ Stable
Term loan 4	-	-	-	Sept-26	8.19	IVR BBB/ Stable
Term loan 5	-	-	-	Apr-27	16.70	IVR BBB/ Stable
Term loan 6	-	-	-	Mar-29	8.62	IVR BBB/ Stable
Term loan 7	-	-	-	Mar-29	3.02	IVR BBB/ Stable
DLOD Limit	-	-	-	Jul-27	1.00	IVR BBB/ Stable
Term Loan 8	-	-	-	Jul-27	13.67	IVR BBB/ Stable
Term Loan 9	-	-	-	Jun-29	30.00	IVR BBB/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-chanakya-jan25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Name of the Security	Detailed Explanation
Financial Covenant	
i.	
ii.	
Non-financial Covenant	
i.	
ii.	

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable



Press Release

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.

