



## Press Release

**Milkfood Limited**

**May 17, 2024**

### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple/ Complex/ Highly complex)
Long Term Bank Facilities -Term loan	23.32	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	<a href="#">Simple</a>
Long Term Fund Based Bank Facilities - Cash Credit	50.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	<a href="#">Simple</a>
Short Term Bank Facilities -BGS	9.00	IVR A3+ (IVR A Three Plus)	Reaffirmed	<a href="#">Simple</a>
Proposed Long Term Bank Facilities	7.68	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	<a href="#">Simple</a>
<b>Total</b>	<b>90.00 (Rupees Ninety crore only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Milkfood Limited (ML) continue to derive comfort from extensive experience of the promoters in the dairy industry, healthy financial risk profile and strong brand name. However, these rating strengths continue to remain constrained by moderate scale of operations, strong competition in dairy industry and vulnerability to external factors such as adverse weather conditions and disease outbreaks.

**Key Rating Sensitivities:**



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### **Upward rating factor**

- Significant and sustained improvement in the operating income and profitability.

### **Downward rating factor**

- Dip in operating income and/or profitability, deterioration in debt coverage indicators.

### **List of Key Rating Drivers with Detailed Description**

#### **A. Key Rating Strengths**

##### **Extensive experience of the promoters in the dairy industry**

Milkfood Limited (ML), which is based in Punjab was promoted by Mr. Karamjit Jaiswal in the year 1973. He has experience of business and administration of more than five decades in the dairy and alcoholic beverages Industry. The company over the years has established its products in Northern India through its brand "Milkfood".

##### **Healthy financial risk profile**

The tangible networth of the company stood at Rs.132.83 crore as on March 31, 2023. Total operating income increased from Rs 316.20 crore in FY22 to Rs 467.40 crore in FY23. The overall gearing of the company stood at 0.91x as on March 31, 2023. The TOL/TNW stood moderate at 1.47x as on March 31, 2023, as against 1.42x as on March 31, 2022.

##### **Strong brand name**

ML markets its Desi Ghee and Milk Powder under the brand name of "Milkfood". This brand is well established in Delhi, Punjab and Rajasthan region and its nearby areas driven by its long presence in the market.

#### **Key Rating Weaknesses**

##### **Moderate Scale of operation**

Company's total operating income increased to Rs. 467.40 crore in FY23 from Rs.316.20 crore in FY22. EBITDA increased to Rs 23.65 crore in FY23 from 12.95 crore in FY22. PAT increased to Rs. 9.75 crore in FY23 from Rs 3.50 crore in FY22. However, TOI remains moderate at Rs 315.24 in 9MFY24 (Rs 333.95 crore) in 9MFY23. EBITDA moderated to Rs 18.43 crore in 9MFY24 from Rs 18.97 crore in 9MFY23. PAT moderated to Rs 3.24 crore in



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9MFY24 from Rs 6.36 crore in 9MFY23. The main reason for this can be attributed to decline in prices for major products.

### **Strong competition from organized co-operatives, large private sector, and unorganised players**

ML faces intense competition from organised co-operatives, large private sector, and unorganised players. It has limited pricing flexibility in a competitive scenario as prevalent in regions, where large cooperatives are present. ML faces competition from brands like Amul, Mother Dairy, among others.

### **Vulnerability to external factors such as adverse weather conditions and disease outbreaks**

ML's revenues and earnings are susceptible to agro-climatic factors such as drought, cattle diseases, etc, which may adversely impact milk production. Further, the margins are susceptible to changes in climatic conditions, with deficient supply of milk during the flush seasons, resulting in a rise in procurement prices.

### **Analytical Approach:** Standalone Approach

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of Rating Outlook | Infomerics Ratings](#)

### **Liquidity –Adequate**

The liquidity position of the company remains adequate marked by expectation of sufficient cash accruals for FY24-26 compared to its repayment obligation. The company maintains adequate cash and bank balance to meet its liquidity requirement and the current ratio also remained comfortable at 1.32x as on March 31, 2023. Further, average working capital



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utilisation of the company stood moderate at 70.37% for past 12 months ended March 31, 2023.

### **About the company:**

Milkfood Limited (ML) incorporated in 1973, was promoted by Mr. Karamjit Jaiswal. It is a part of the Jagatjit Group of Industries, with its base at Hamira in Jalandhar (Punjab) and its corporate office in the National Capital, Delhi. The Desi Ghee and Milk Powder are core products of the company. It sells its product under the brand name of "Milkfood". The manufacturing unit at Patiala has installed capacity to manufacture ghee of 11700 MTPA. The other unit at Moradabad has installed capacity to produce butter 5400 MTPA and Skimmed milk powder 12240 MTPA.

### **Financials (Standalone):**

(Rs. Crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	316.20	467.40
EBITDA	12.95	23.65
PAT	3.50	9.75
Total Debt	72.56	121.02
Tangible Net worth	122.03	132.83
<b>Ratios</b>		
EBITDA Margin (%)	4.10	5.06
PAT Margin (%)	0.73	2.44
Overall Gearing Ratio (x)	0.59	0.91

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**



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Sr . N o.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	April 3,2023 & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based Bank Facilities -Term Loans	Long Term	23.32	IVR BBB/Stable (IVR Triple B with Stable outlook)	IVR BBB/Stable (IVR Triple B with Stable outlook)		
2.	Fund Based Bank Facilities – Cash Credit	Long Term	50.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)		
3.	Fund Based Bank Facilities - Proposed	Long Term	7.68	IVR BBB/Stable (IVR Triple B with Stable outlook)	IVR BBB/Stable (IVR Triple B with Stable outlook)		
4.	Non-Fund Based Bank Facilities – BGs	Short Term	9.00	IVR A3+ (IVR A Three plus)	IVR A3+ (IVR A Three Plus)		

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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).



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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 visit [www.infomerics.com](http://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
Fund Based Bank Facilities – Term Loans	-	-	-	23.32	IVR BBB/Stable (IVR Triple B with Stable outlook)
Fund Based Bank Facilities – Cash Credit	-	-	-	50.00	IVR BBB/Stable (IVR Triple B with Stable outlook)
Fund Based Bank Facilities – Proposed	-	-	-	7.68	IVR BBB/Stable (IVR Triple B with Stable outlook)
Non-Fund Based Bank Facilities – BGs	-	-	-	9.00	IVR A3+ (IVR A Three plus)





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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/lender-Milkfood-may24.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](http://www.infomerics.com)

