



Press Release

Milkfood Limited (ML)

April 03, 2023

Ratings

| Instrument / Facility | Amount (Rs. crore) | Ratings | Rating Action | Complexity Indicator |
|--|----------------------------------|---|---------------|----------------------|
| Long Term Fund Based Bank Facilities – Term Loans | 34.60 | IVR BBB/Stable (IVR Triple B with Stable Outlook) | Assigned | Simple |
| Long Term Fund Based Bank Facilities – Cash Credit | 50.00 | IVR BBB/Stable (IVR Triple B with Stable Outlook) | Assigned | Simple |
| Long Term Fund Based Bank Facilities – Proposed | 0.40 | IVR BBB/Stable (IVR Triple B with Stable Outlook) | Assigned | Simple |
| Short Term Non-Fund Based Bank Facilities – BGs | 9.00 | IVR A3+ (IVR A Three Plus) | Assigned | Simple |
| Total | 94.00 (Ninety-Four Crore) | | | |

Details of Facilities are in Annexure 1

Detailed Rationale

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

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.

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or deterioration in the financial risk profile.

List of Key Rating Drivers with Detailed Description



Press Release

Key Rating Strengths

Extensive experience of the promoters in the dairy industry

The Milkfood Limited is promoted by Mr. Karamjit Jaiswal. He has vast experience of business and administration of more than five decades in the Dairy and Alcoholic Beverages Industry. Ms. Roshini Sanah Jaiswal, who is the Executive Director (Operations) of the Company. She is a qualified MBA and has vast commercial & administrative experience in the field of Dairy and Alcoholic Beverages Industry. The company through the years has established its products in its catchment area through brands "Milkfood".

Healthy financial risk profile

The tangible networth of the company stood healthy at Rs.122.02 crore as on March 31, 2022. The overall gearing of the company stood healthy at 0.59x as on March 31, 2022 as against 0.61x as on March 31, 2021. The TOL/TNW stood adequate at 1.49x as on March 31, 2022 as against 1.60x as on March 31, 2021.

Strong brand name

ML's markets its Desi Ghee under the brand name of "Milkfood". This brand is well established in Delhi NCR, Punjab, Himachal, Rajasthan, Uttar Pradesh, West Bengal and Northeast region and its nearby areas driven by its long presence in the market.

Key Rating Weaknesses

Moderate scale of operations

Milkfood Limited's scale remains moderate with revenues in the Rs.316.12 crore in FY22 to Rs.367.91 crore in FY21. The total income in FY21 declined by ~33% and in FY22 declined by ~13% marked by reduced demand from the institutional (and domestic customers to an extent) largely given the Covid-19 related disruptions. However, during 9MFY23 it has witnessed growth marked by total operating income of Rs. 337.64 crore.

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



Press Release

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 on 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.13 - 17 crore as against its debt servicing obligation of ~Rs.6 - 13 crore FY23-25. The company maintains adequate cash and bank balance to meet its liquidity requirement and the current ratio also remains comfortable at 1.37x in FY22. Further, the overall working capital utilisation of the company stood comfortable ~51% for the last 12 months ended January 2023.

About the Company

Milkfood Limited (ML) incorporated in 1973, is located in Patiala, Punjab. 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. ML sells its product under the brand name of “**Milkfood**”.

Financials (Standalone):



Press Release

INR in Crore

| For the year ended* As on | 31-03-2021 | 31-03-2022 |
|---------------------------|------------|------------|
| | Audited | Audited |
| Total Operating Income | 367.91 | 316.20 |
| EBITDA | 19.68 | 12.95 |
| PAT | 2.43 | 3.50 |
| Total Debt | 72.87 | 72.56 |
| Tangible Net Worth | 118.92 | 122.02 |
| EBITDA Margin (%) | 5.35 | 4.10 |
| PAT Margin (%) | 0.66 | 1.10 |
| Overall Gearing Ratio (x) | 0.61 | 0.59 |

* 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:

| 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 2021-22 | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 |
| 1. | Fund Based Bank Facilities – Term Loans | Long Term | 34.60 | IVR BBB/ Stable | - | - | - |
| 2. | Fund Based Bank Facilities – Cash Credit | Long Term | 50.00 | IVR BBB/ Stable | - | - | - |
| 3. | Fund Based Bank Facilities – Proposed | Long Term | 0.40 | IVR BBB/ Stable | - | - | - |
| 4. | Non-Fund Based Bank Facilities – BGs | Short Term | 9.00 | IVR A3+ | - | - | - |

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Press Release

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About Infomerics:

Infomerics Valuation and Rating Private Limited (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.

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 |
|---|------------------|------------------|---------------|------------------------------|--------------------------|
| Fund Based Bank Facilities – Term Loans | - | - | - | 34.60 | IVR BBB/ Stable |



Press Release

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|--|---|---|---|-------|-----------------|
| Fund Based Bank Facilities – Cash Credit | - | - | - | 50.00 | IVR BBB/ Stable |
| Fund Based Bank Facilities – Proposed | - | - | - | 0.40 | IVR BBB/ Stable |
| Non-Fund Based Bank Facilities – BGs | - | - | - | 9.00 | 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-Milkfood-apr23.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.