



Press Release

Nature Delight Dairy & Dairy Products Pvt Ltd (NDPPL)

February 03, 2022

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities- Cash Credit	40.00	IVR BBB-/Credit Watch with Developing Implications (IVR Triple B Minus Credit Watch with Developing Implications)	Assigned	Simple
Long Term Bank Facilities- Term Loan	47.76	IVR BBB-/Credit Watch with Developing Implications (IVR Triple B Minus Credit Watch with Developing Implications)	Assigned	Simple
Long Term Bank Facilities- Proposed Term Loan	6.24	IVR BBB-/Credit Watch with Developing Implications (IVR Triple B Minus Credit Watch with Developing Implications)	Assigned	Simple
Total	94.00			

Details of facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Nature Delight Dairy & Dairy Products Pvt Ltd (NDPPL) derives strength from the Experienced Promoters and continued financial support, Healthy Business relationship with suppliers, Diversified value add Dairy Product Portfolio, and comfortable scale of operations. The rating is however constrained by Susceptibility to Intense competition, thin profit margin, and moderate credit matrix and operating cycle

Key Rating Sensitivities:



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Upward Factor:

- Sustained and significant improvement in the scale of operations while maintaining profitability & protection metrics on a consolidated basis.

Downward Factor:

- Any decline in scale of operations and/or profitability, leading significant deterioration of debt protection metrics and/or on a consolidated basis.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and their financial support to the Company:

NDPPL is promoted by Pune based Desai family, which has a long presence in the infrastructure industry. The operations of the Company are managed by Mr. Mayur Jamdar (director), who is Msc. in Biotechnology and has more than 7 years of experience in dairy business, which has helped the Company to stabilise as well as increase the business operations in less than 3 years' time after commencement of its business in 2017.

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. 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.

Healthy scale of operations though some moderation in FY2021 given the Covid headwinds: NDPPL scale remains with revenues in the Rs.600 crore to Rs.750 crore bracket in the past few fiscals. While the revenues have remained at close to Rs.603.48 crore in FY2020, even given the subdued demand especially from the institutional customers and the logistics constraints impeding transport of products had impacted the revenues in FY2021 but higher than FY2021 and it remained at Rs. 751.54 crore. The company in the 6MFY2022 has reported Rs. 417 crore revenues given the reset of demand and logistics given the rapid normalization post Covid.



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Healthy business relationship with suppliers: The promoters have established a healthy business relationship with the farmers in the Pune and Nashik region by providing quality cattle feed which has increased the milk production. These farmers are the major suppliers of raw milk to NDPPL, which mitigates the risk of milk supply to the Company.

Key Rating Weaknesses

Thin profit margins: Owing to intense competition in the sector, the profit margins of the Company are low. Further, due to outsourced processing of excess milk procurement, the operating profit margin has increased to 3.06% in FY21 compared to 2.80% in FY20 but net profit margin of NDPPL had declined to 0.50% in FY21 as against 0.69% in FY20. However, with the addition of 7 Lakhs per day processing capacity the profit margins are expected to improve.

Moderate credit metrics and operating cycle in the past fiscals: The debt profile in the past fiscals remained dominated by working capital loans followed by term loans. The promoters to alleviate some stress on the capital structure has infused Rs.10.00 crore in the past fiscals and plan to infuse equity to the tune of Rs.20.00 crore by FY2023 which would further relieve the pressure on the capital structure as the company does not plan to avail any additional debt in the near term. The gearing has increased to 3.07 times in FY2021 as compared to 1.68 times in FY2020. The interest coverage remained at 2.55 times in FY2021 as compared to 2.67 times in the previous fiscal. DSCR has remained at 1.51 times in FY2021 as compared to 1.06 times in FY2020. Driven by yearend inventory levels, the operating cycle has been 38 days in FY2021 as compared to 18 days in FY2020.

Presence in a highly competitive industry: NDPPL faces stiff competition in the dairy business from some larger and established brands. Milk products of the Company attribute to nearly 60% of the revenue in FY20. Intense competition from reputed brands like Warana, Amul, Mother dairy exerts pressure on the pricing of NDPL's products.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria on Rating Outlook](#)



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Liquidity - Adequate

The liquidity position of the company remains adequate as cash accruals are expected to remain sufficient to meet the repayment obligations. Further, the company had gross cash accruals of INR. 12.14 Crore in FY21 and free cash balance of INR 7.24 crore as on March 31, 2021. The overall utilisation of the fund-based limits remains high at 92.19% during the last 12 months ended November 2021. The current ratio stood at 0.93 times as on 31st March 2021.

About the Company

NDPPL is promoted by Pune based Desai family, which has a long presence in the infrastructure industry. The operations of the Company are managed by Mr. Mayur Jamdar (director), who is Msc. in Biotechnology and has more than 7 years of experience in dairy business, which has helped the Company to stabilise as well as increase the business operations in less than 3 years' time after commencement of its business in 2017. Nature Delight Dairy & Dairy Products Pvt. Ltd. is an established company basically deals into milk collections and its processing, manufacturing of milk products viz. butter, ghee, skimmed milk powder and its variant's.

Financials (Standalone)

	INR	
in Crore		
For the year ended* As on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	603.48	751.54
EBITDA	16.90	23.03
PAT	4.15	3.75
Total Debt	52.29	152.37
Tangible Net Worth	31.20	49.58
EBITDA Margin (%)	2.80	3.06
PAT Margin (%)	0.69	0.50
Overall Gearing Ratio (x)	1.68	3.07

* Classification as per Infomerics' standards



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Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facilities- Cash Credit	Long Term	40.00	IVR BBB-/Credit Watch with Developing Implications (IVR Triple B Minus Credit Watch with Developing Implications)	-	-	-
2.	Long Term Bank Facilities- Term Loan	Long Term	47.76	IVR BBB-/Credit Watch with Developing Implications (IVR Triple B Minus Credit Watch with Developing Implications)	-	-	-
4.	Long Term Bank Facilities- Proposed Term Loan	Long Term	6.24	IVR BBB-/Credit Watch with Developing Implications (IVR Triple B Minus Credit Watch with Developing Implications)			



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Name and Contact Details of the Rating Analysts:

Name: Mr. Jyotiraditya Singh	Name: Mr. Prakash Kabra
Tel: (022) 62396023	Tel: (022) 62396023
Email: jyotiraditya.singh@infomerics.com	Email: prakash.kabra@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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
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Long Term Fund Based Facility – Term Loan	-	-	January 2024	7.57	IVR BBB-/Credit Watch with Developing Implications (IVR Triple B Minus Credit Watch with Developing Implications)
Long Term Fund Based Facility – Term Loan	-	-	August 2024	5.25	IVR BBB-/Credit Watch with Developing Implications (IVR Triple B Minus Credit Watch with Developing Implications)
Long Term Fund Based Facility – Term Loan	-	-	Septemb er 2026	31.35	IVR BBB-/Credit Watch with Developing Implications (IVR Triple B Minus Credit Watch with Developing Implications)
Long Term Fund Based Facility – Term Loan	-	-	July 2023	3.60	IVR BBB-/Credit Watch with Developing Implications (IVR Triple B Minus Credit Watch with Developing Implications)
Long Term Fund Based Facility – Term Loan	-	-	January 2024	6.24	IVR BBB-/Credit Watch with Developing Implications (IVR Triple B Minus Credit Watch with Developing Implications)
Long Term Fund Based Facility – Cash Credit	-	-	-	40.00	IVR BBB-/Credit Watch with Developing Implications (IVR Triple B Minus Credit Watch with Developing Implications)

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lender-03-02-22-NDPPL.pdf>



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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.