



Press Release

Nature Delight Dairy and Dairy Products Private Limited

July 17, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	122.14	IVR BBB-/Positive (IVR Triple B Minus with Positive Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed and Outlook changed from Stable to Positive	Simple
Long Term Bank Facilities	36.55	IVR BBB-/Positive (IVR Triple B Minus with Positive Outlook)	-	Assigned	Simple
Short Term Bank Facilities	-	-	IVR A3 (IVR A Three)	Rating withdrawn	Simple
Total	158.69	(Rupees One hundred fifty-eight crore and sixty-nine 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

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities for the long-term facilities to IVR BBB- with positive outlook which has been revised from the stable outlook of Nature Delight Dairy and Dairy Products Private Limited (NDPPL). Infomerics Ratings has also assigned the ratings of IVR BBB- with Positive outlook for the long-term enhanced facilities of NDPPL. The short-term rating has been withdrawn at the request of the company vide email dated July 09, 2024. Infomerics has received "No due certificate" from the RBL banker stating that all facilities are repaid, and no facilities are now due. Further the withdrawal process is carried out as per the Infomerics withdrawal policy.

The rating continues to draw comfort from experienced promoters and financial support of the company along with growing scale of operations. The ratings further draw support from healthy business relationship with suppliers and moderate financial risk profile. However, these rating strengths are partially offset by thin operating margins, stiff competition from organised co-operatives, private players and unorganised sector pressurizing profitability of dairy companies, sensitivity to SMP stock and institutional demand 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.



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The 'Positive' outlook indicates improvement in operational performance and debt protection metrics in medium term. IVR believes NDPPL will continue to benefit from its operational track record in the business resulting in increased scale of operations.

Infomerics Ratings has principally relied on the standalone audited financial results of NDPPL up to 31 March 2023 (refers to period April 1st, 2022, to March 31st, 2023), provisional FY24 results (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to 2 March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Sustained and significant improvement in profitability, specific credit metric will be operating profitability above 4% on sustained basis.
- Sustained improvement in debt protection metrics.

Downward Factors

- Any decline in scale of operations and/or profitability, leading to significant deterioration of debt protection metrics.
- Specific credit metric for rating downgrade will be operating margins remaining below 2% on sustained basis

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and 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 well qualified promoters with Mr. Mayur Jamdar and Mr. Arjun Hariba Desai. The promoter group has supported the operations of the company from time to time through infusion of funds in the form of unsecured loans.



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- **Growing scale of operations**

The total operating income of the company has grown at (CAGR) of 29.45% during the past three years ended as on March 31, 2024. Further, the TOI of the company has improved by 66.88% in FY23 and stood at 1632.97 crore compared to Rs. 978.80 crore in FY22 on account of increase in sales volume of Whole Milk Powder (WMP), Skimmed Milk powder (SMP), butter and pasteurised full cream milk along with increase in average realization of skimmed milk and whole milk. Further, as per the provisional financials for FY24, the company has reported a TOI of Rs. 1630.14 crore declined from Rs. 1632.97 crore on account of decline in sales volume during the year.

- **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.

- **Moderate financial risk profile**

The capital structure of the company marked by overall gearing (including quasi equity) stood at 1.33x as on March 31, 2024, deteriorated from 1.00x as on March 31, 2023, mainly on account of increase in term liabilities along with higher utilization of working capital bank borrowings as on balance sheet date. Further, total indebtedness of the company as reflected by TOL/ATNW stood at 1.37x as on March 31, 2024, deteriorated from 1.22x as on March 31, 2023, on account of increase in total debt. The debt protection metrics of the company marked by Interest coverage ratio at 1.90 times in FY24 deteriorated from 2.75x in FY23 on account of increase in interest and finance cost. The DSCR of the company has improved to 1.37x in FY24 from 1.22x in FY23. Total debt to GCA stood high at 7.72x as on March 31, 2024, deteriorated from 5.44x as on March 31, 2023, on account of increase in total debt.

Key Rating Weaknesses

- **Thin operating margins**

The company reported EBITDA of Rs. 35.48 crore as per FY24(Provisional) compared to Rs. 29.65 crore in FY23. The PAT stood at Rs. 13.52 crore in FY24 (Provisional) increased from



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Rs. 9.19 crore in FY23. The GCA of the company stood at Rs. 22.05 crore in FY24 (Provisional) improved from Rs. 19.83 crore in FY23. Despite decline in top line, EBITDA margin of the company has improved by 36 bps and stood at 2.18% in FY24 (Provisional) compared to 1.82% in FY23 on account of decline in raw material consumption cost along with decline in selling and distribution cost during the year. The company generates the majority of its revenue from B2B segment which lead to thin margins. Subsequently, the PAT margin of the company also improved by 26 bps although remained thin at 0.83% as per FY24 provisional results compared to 0.56% in FY23. The GCA of the company has improved from 19.83 crore in FY23 to Rs. 22.05 crore in FY24 provisional.

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

The milk and milk products industry are characterized by intense competition from organized co-operatives, large private players and unorganized players. Apart from this, 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's profitability has remained under pressure with EBITDA margins at around 2% in the past fiscals while the net profit margins have remained below 1% in the past fiscals.

- **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 affects 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: Standalone



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Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

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

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

[Policy on withdrawal of ratings](#)

Liquidity – Adequate

The liquidity position of the company is adequate, marked by its sufficient cash accruals as against its repayment obligations. The Company's average fund based working capital limit utilization stood moderate at 95.12% for the last 12 months ended May 2024 indicate adequate buffer in its working capital limits. Further, the company had free cash and cash equivalents to the tune of Rs.1.09 crore as on May 31, 2024, which is expected to support the liquidity profile of the company in the near to medium term. The current ratio of the company stood moderate at 1.08x as on March 31, 2024. Further, the company expects sufficient cushion in cash accruals against its debt repayments. The company is expecting GCA in the range of Rs. 27.39 Cr. - Rs. 39.98 Cr. during FY25-27 against debt repayment of Rs. 9.03 Cr.- 2.06 Cr. in FY25-27. The Working Capital Cycle of the company stood at 31 days in FY24 days which was 26 days in FY23.

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):

(Rs. crore)



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For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	1632.97	1630.14
EBITDA	29.65	35.48
PAT	9.19	13.52
Total Debt	107.96	170.18
Adj. Tangible Net Worth (Including Quasi Equity)	107.97	127.74
EBITDA Margin (%)	1.82	2.18
PAT Margin (%)	0.56	0.83
Overall Gearing Ratio (x)	1.00	1.33
Interest Coverage (x)	2.75	1.90

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	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
					June 27, 2023	July 04, 2022	February 03, 2022
1.	Fund Based Limits	Long Term	158.69	IVR BBB-/Positive	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-/Credit Watch with Developing Implications
2.	Non-Fund Based	Short Term	-	-	IVR A3	-	-

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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



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from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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.

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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
Long Term Facility – Cash Credit	-	-	-	-	127.50	IVR BBB-/Positive
Long Term Facility – Term Loan	-	-	-	April 2031	31.19	IVR BBB-/Positive

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Nature-DelightDairy-july24.pdf>



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

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.

