



Press Release

Pyaar Dulaar Dairy Limited

September 22, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Short Term Bank Facilities	48.00	IVR A4 (IVR A Four)	Assigned	Simple
Long Term /Short Term Bank Facilities	42.00	IVR BB-/ Stable/IVR A4 (IVR Double B Minus; with Stable Outlook & IVR A Four)	Assigned	Simple
Total	90.00	Rupees Ninety Crores Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned Long-term rating of IVR BB- with a Stable outlook and Short-term rating of IVR A4 for the bank loan facilities of Pyaar Dulaar Dairy Limited (PDDL).

The rating draws comfort from the experienced management, reputed clientele, continuous funding support from promoters and improved financial risk profile during FY2022 (Provisionals). However, these strengths are partially offset by modest scale of operations, susceptibility of operating margin to volatile input prices and working capital intensive nature of operations.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes PDDL's business risk profile will be maintained over the medium term as it has reputed clientele which provides revenue visibility. The industry outlook is also improving led by the government of India making steady progress in milk & milk product growth and development.

IVR has principally relied on the standalone audited financial results of PDDL upto 31 March 2021, FY2022 provisional certified results and projected financials for FY2023, FY2024 and FY2025, and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations and EBITDA margins
- Improvement in debt protection metrics
- Sustenance of the overall gearing below 3x

Downward Factors

- Significant reduction in the scale of operations and profitability margins,
- Deterioration in debt protection metrics and overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters in the dairy industry

- The group is promoted by Mr. Radhe shyam dixit who remains well supported by his sons and an experienced team of professional to manage the day-to-day operations. After a modest start as a distributor of various milk products around 1980, Mr. Dixit has evolved brand Ananda to its current levels and remains a notable name in primarily North India dairy market though the group has attempted to venture in the new markets like rest of India and overseas in the recent. The group through the years has established its products in its catchment area through brands Ananda and cattle feed brand Nanda.

Favorable growth prospects of the dairy industry

- In the long term the outlook for the dairy industry remains stable on account of various interest subvention schemes introduced by the government to modernize dairy infrastructure and promote higher production backed by the growing demand of milk and milk products backed by increasing per capita consumption.

Key Rating Weaknesses

Modest scale of operations

PDDL has modest scale of operation as it commercial operations started from December 2021 onwards. The company achieved Total Operating Income (TOI) of Rs. 25.72 crore with EBITDA and PAT margins of 6.42% and 2.53% respectively, in FY2022 (Provisional).



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Working capital intensive nature of operation

The fund based working capital limits of the company stood high at 100% during the last nine months ending on 31st August 2022. The operating cycle of the company is elongated at 509 days for FY2022(Provisional) mainly due to the high inventory days of 579 days. The inventory period is high because the company mainly operates in winter season (November to March).

Intense competition in industry

The dairy industry is highly fragmented with large number of unorganised players. The company also faces competition from some of the big and established players in the organised segment. The fragmented and competitive nature of the industry limits the company's ability to significantly improve the margins due to limited bargaining power. Also, ensuring competitive remuneration to the farmers for procurement of milk would be a key sensitivity for maintaining a steady supply chain.

Exposure of milk production to external factors such as climatic conditions, cattle diseases etc

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 in milk production due to external factors like cattle diseases, extension of lean season due to drought like conditions, which ultimately affect milk availability and hence prices.

Analytical Approach: For arriving at the ratings, IVR has analysed PDDL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria for assigning rating outlook](#)



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Liquidity – Stretched

Liquidity of the company is stretched as bank limit utilisation was high at ~100% during the nine months ended 31st August, 2022 on account of working capital intensive nature of operations. The current ratio stood moderate at 1.14x in FY2022 (Provisional). The company ability to improve its liquidity will be a key monitorable going forward.

About the Company

The PDDL is a part of Ananda Group which is mainly North India focussed group involved in processing of milk and manufacture of milk products primarily traditional milk products like ghee, paneer, dahi amongst others. The key entities include Pyaar Dular dairy Ltd (PDDL) involved in dairy foods business. The Company is promoted by Mr. Radheshyam Dixit who currently is assisted by his two sons. The Dixit family remains focussed on dairy business which is placed in the market through the recognised brand “Ananda” under which it markets the products across both the entities.

Financials (Standalone):

(Rs. crore)

For the year ended as on	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	0.65	25.72
EBITDA	0.04	1.65
PAT	0.03	0.65
Total Debt	0.00	48.00
Tangible Network	0.08	8.15
EBITDA Margin (%)	6.15	6.42
PAT Margin (%)	4.62	2.53
Overall Gearing Ratio (x)	0.00	5.89

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:



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Sr. No.	Type of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Tenure	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	Short Term	48.00	IVR A4 (Assigned)	-	-	-
2.	Fund/Non-Fund Based (Proposed)	Long/Short Term	42.00	IVR BB-/Stable/IVR A4 (Assigned)			

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About Infomerics:

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
Warehouse Receipt Financing	-	-	-	48.00	IVR A4
Proposed Working Capital	-	-	-	42.00	IVR BB-/ Stable/IVR A4

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Pyaar-Dulaar-sep22.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 [Complexity Level of Rated Instruments/Facilities](#).