



## Press Release

### Ananda Dairy Limited (Erstwhile Gopaljee Dairy Foods Pvt Ltd)

January 12, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple / High / Complex)
Long Term Bank Facilities	234.76	IVR BBB+/ Credit watch with developing implications (IVR Triple B Plus with Credit watch with developing implications)	Assigned	Simple
Short Term Bank Facilities	16.19	IVR A2 (IVR A two)	Assigned	Simple
<b>Total</b>	<b>250.95</b> <b>(Two hundred and fifty point ninety-five crores)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Ananda Dairy Limited derives comfort from extensive experience of the promoters and the management in the dairy industry which has led to the company maintaining healthy scale in the past fiscals while adequately positioning its brand Ananda largely in the North India market with products largely traditional milk products. The assigned rating also factors in the wide milk procurement and product distribution network developed by the group over the years ensuring sustainable milk supply and product sales respectively. The assigned rating nonetheless factors in the moderate credit metrics of the entity with debt profile driven largely by working capital debt.

However, the rating strengths are partially offset by stiff competition from various players in the dairy industry pressurizing profitability as seen by the company booking moderate profits in the past as also the sensitivity 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.

The rating has been placed under the credit watch with developing implications on progressive increase in debtors at absolute levels in the past fiscals constraining the liquidity



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to an extent. Infomerics will continue to monitor its movement in the coming period and subsequently take a view on the same.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Sustained and significant improvement in the scale while ramping up capacity utilizations and enhancing the profitability & debt metrics.
- Optimizing the operating cycle to suitable levels thereby reducing dependence on external borrowings

#### **Downward Factors**

- Any substantial decline in scale and/or profitability
- Higher than anticipated debt funded capex pressurizing debt metrics
- Stretch in the operating cycle thereby increasing further dependence on the external borrowings ultimately impacting the debt metrics

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

#### **Key Rating Strengths**

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

The Ananda group is promoted by Mr. Radheshyam Dixit who remains well supported by his sons and an experienced team of professionals 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 in the milk products segment and cattle feed brand Nanda.

##### **Adequate milk procurement network spread primarily across Northern states, satisfactory distribution network**

Ananda group procurement matrix is spread across the states of Uttar Pradesh and Uttarakhand close to the NCR region as also Kanpur. Presence of the procurement network which consists of close to 6000 farmers, 33 chilling centers and network of bulk cooling centers proximate to the NCR region primarily presents location advantage in terms of logistics given the physiological sensitivity of the product (milk) as also provides for some cost advantage. The group in FY2021 has collected close to 8 lakh



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liters per day milk from its catchment area. On the other hand, the group over the years has established an efficient distributor network covering 2500 distributors and 7500 retailers spread across various states. Going forward, the company plans to expand into the southern, overseas markets and increase its visibility on the online platforms to enhance its scale.

### **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 (42% in FY2021). 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**

ADIL scale remains high with revenues in the Rs.1300 crore to Rs.1400 crore bracket in the past few fiscals. While the revenues have remained at close to Rs.1500 crore in FY2020, given the subdued demand especially from the institutional customers and the logistics constraints impeding transport of products had impacted the revenues in FY2021 which remained at Rs. 1351.21 crore. The company in the 4MFY2022 has reported Rs. 399.79 crore revenues given the reset of demand and logistics given the rapid normalization post Covid.

### **Moderate credit metrics 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.7.00 crore in the past fiscals and plan to infuse equity to the tune of Rs.30.00 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 remained at 3.28 times in FY2021 as compared to 2.84 times in FY2020. The interest coverage remained at 2.01 times in FY2021 as compared to 2.50 times in the previous fiscal. DSCR has remained at 1.10 times in FY2021 as compared to 1.08 times in FY2020.



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### Key Rating Weaknesses

#### **Stretched operating cycle in the past**

Driven by year-end inventory levels, the operating cycle has been 82 days in as on March 31, 2021 as compared to 58 days in the previous fiscal. However, notably, the yearend receivables in the past fiscals have increased gradually impeding the entity's liquidity, the movement in the same will be a key monitorable, going ahead.

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

The milk and milk products industry is characterised by intense competition from the co-operatives, large private players and unorganized players. Apart, 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 profitability has remained under pressure with EBIDTA margins at around 3% in the past fiscals while the net profit margins have remained below 1% in the past fiscals. Margin expansion will be a key monitorable, going forward.

#### **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 affect milk availability and hence prices. The price of the dairy industry's raw material, milk, is sensitive to Government policies, environmental conditions, and epidemic-related factors.

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

#### **Applicable Criteria (Please add Hyperlink to the respective criteria):**

Rating Methodology for Manufacturing companies

Financial Ratios & Interpretation Non- Financial Sector



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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 in the near term. Further, the company had gross cash accruals of INR. 20.46 Crore in FY21 and free cash balance of INR 2.26 crore as on March 31, 2021. The overall utilisation of the fund-based limits remains high at 94.87% during the last 12 months ended September 2021. The current ratio stood at 1.24 times as on 31st March 2021.

### **About the Company**

ADL Incorporated in July 2004 as RSD Foods Pvt Limited (RSDFPL) by Mr. RS Dixit (Chairman Managing Director). The name was then changed to Gopaljee Dairy and Foods Pvt Ltd on March 1st, 2008. The name was again changed to the present name of the company. Ananda is one of the leading dairy products manufacturers in India having 4 plants in Uttar Pradesh (No1 state in India in Milk) near Bulandshahr (Syana), Pilakhua, Gajroula and Kanpur.

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

For the year ended* As on	31-03-2020	31-03-2021
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	1494.47	1315.21
EBITDA	54.15	50.48
PAT	10.51	9.30
Total Debt	227.66	286.18
Tangible Net worth	81.37	90.52
EBITDA Margin (%)	3.62	3.84
PAT Margin (%)	0.70	0.71
Overall Gearing Ratio (x)*	2.84	3.28

\*classification as per Infomerics standard

**Status of non-cooperation with previous CRA: N.A.**

**Any other information: Nil**



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Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2021-22)		Rating History for the past 3 years		
		Amount	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.	Fund based	234.76	IVR BBB+/ Credit watch with developing implications	-	-	-
2.	Non-Fund Based	16.19	IVR A2	-	-	-

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### 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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information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Term Loan	-	-	-	99.76 cr	IVR BBB+/ Credit watch with developing implications
Long Term Bank Facilities – CC Limit	-	-	-	135 cr	IVR BBB+/ Credit watch with developing implications
Short Term Bank Facilities - SLC	-	-	-	16.19 cr	IVR A2

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Ananda-Dairy-lenders-jan22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Long Term Bank Facilities- Term Loan	Simple
2.	Long Term Bank Facilities – CC Limit	Simple
3.	Short Term Bank Facilities - SLC	Simple

**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).