



Press Release

Fable Food Products Private Limited

July 05, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	45.24	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Long/ Short Term Bank Facilities - Proposed	2.76	IVR BBB-/ Stable/ IVR A3 (IVR Triple B Minus with Stable Outlook/ IVR A Three)	Assigned	Simple
Total	48.00	Rupees Forty Eight Crore Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BBB- with a Stable Outlook and long/short term rating (proposed) of IVR A3 for the bank loan facilities of Fable Food Products Private Limited (FFPPL).

The rating draws comfort from its extensive experience of the promoters in the dairy industry, diversified value-added dairy products, growing scale of operations and moderate credit metrics in the past fiscals. However, these strengths are partially offset by seasonal availability of raw material, stiff competition from organised co-operatives, private players and unorganised sector pressurizing profitability of dairy companies, sensitivity to SMP stock and institutional demand and 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.

IVR has principally relied on the standalone audited financial results of FFPPL upto 31 March 2022, provisional financials for FY23 and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:



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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.
- Effective working capital management with improvement in operating cycle and liquidity.

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters in the dairy industry

The promoters of the company have experience of more than a decade in manufacturing of ghee and have established long term relationship with its customers and suppliers. The promoters having longstanding presence in the industry and have also diversified into forward and backward integration in Milk Processing and distribution of milk and other milk based products.

Diversified value-added dairy products

The company produces milk & milk-based products like Ghee, Lassi, Dahi, Buttermilk, Flavoured Milk, Shrikhand, Amrakhand & Paneer & sells the same under its brand name "AABAD".

Growing scale of operations

FFPPL scale of operations reflects an increasing trend with revenues in the Rs.122.53 crore in FY21 to Rs.285.40 crore in FY23 provisional. FFPPL has achieved consistent growth in its total operating income at a CAGR of ~17% during FY20 to FY23 with an y-o-y growth of ~50%



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in FY23 (Provisional). The growth in TOI driven by increase in capacity and introduction of new products.

Moderate credit metrics in the past fiscals

The capital structure of the company remained satisfactory over the past three account closing dates. The company has a net worth base of Rs.30.83 crore as on March 31,2023. The debt equity ratio and the overall gearing ratio of the company stood satisfactory at 0.42x and 1.59x respectively as on March 31,2023 (provisional) as against 0.51x and 1.52x respectively as on March 31,2022.

Key Rating Weaknesses

Seasonal availability of raw material

India being a tropical country renders a hot and humid climate for the animals and thus there is a fluctuation in milk production. There is a flush season in the cooler parts of the year whereas the production goes down in the warmer months thereby reflecting low working capital utilisation in the first half of the year.

Stiff competition from organised 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 are characterised by intense competition from the organised 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 4.60% in the past fiscals while the net profit margins have remained around 1.80% 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



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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 factors.

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

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

FFPPL has generated a cash accrual of Rs.8.39 crore in FY23 (provisional) against the debt repayment obligations of Rs.3.62 crore. Further, FFPL liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY24-FY26. Average fund based utilization of bank limits for last 12 months ended March 2023 stood at ~97% indicating insufficient buffer to meet incremental requirements. Further, the company has reported cash and bank balance of Rs.0.59 crore as on March 31, 2023 (provisional). All these factors reflect adequate liquidity position of the company.

About the Company

Fable Food Products Private Limited (FFPPL) was incorporated in 2004 and has registered office at Gujarat. The company is engaged in manufacturing & sale of different range of ghee - Cow Ghee, Vanaspati Ghee, Pure Organic Ghee etc under the brand name "AABAD". The manufacturing facility is based at GIDC Industrial Estate in Valsad District, Gujarat. The company operates mainly in Maharashtra, Punjab, Gujarat and Madhya Pradesh.

Financials (Standalone):



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(Rs. Crore)

For the year ended*	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	190.18	285.40
EBITDA	8.81	13.19
PAT	2.98	5.20
Total Debt	39.50	48.98
Tangible Net worth	25.63	30.83
EBITDA Margin (%)	4.63	4.62
PAT Margin (%)	1.56	1.81
Overall Gearing Ratio (x)	1.52	1.59

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: Nil

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	2.99	IVR BBB-/ Stable	-	-	-
2.	Covid Loan	Long Term	6.25	IVR BBB-/ Stable	-	-	-
3.	Cash Credit	Long Term	36.00	IVR BBB-/ Stable	-	-	-
4.	Proposed	Long/ Short Term	2.76	IVR BBB-/ Stable/ 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



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commenced its activities as External Credit Assessment Institution after obtaining registration 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 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
Long Term Facilities – Term Loan	-	-	-	2.99	IVR BBB-/ Stable
Long Term Facilities – Covid Loan	-	-	-	6.25	IVR BBB-/ Stable
Long Term Facilities - Cash Credit	-	-	-	36.00	IVR BBB-/ Stable



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Long/Short Term Facilities - Proposed	-	-	-	2.76	IVR BBB-/ Stable /IVR A3
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Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-fable-jul23.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](#).