December 10, 2021

Parag Milk Foods Limited- Update on Material Event

Summary of rating outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Fund-based- Term loan	43.31	43.31	[ICRA]A (Stable)
Fund -based- working capital facilities	270.00	270.00	[ICRA]A (Stable)
Non-fund-based facilities	100.00	100.00	[ICRA]A2+
Non-convertible Debenture Programme	150.00	150.00	[ICRA]A (Stable)
Total	**563.31**	**563.31**	

Rationale

Material Event

On December 1, 2021, Parag Milk Foods Limited (PMFL or the Group) disclosed that the Income Tax (IT) department has commenced search operations under Section 132 of the Income Tax Act 1961 on November 25, 2021.

Impact of Material Event

At present, ICRA has ratings of [ICRA]A (Stable)/[ICRA]A2+ outstanding on the bank lines and NCD of the company. Based on discussions with the management, ICRA understands that there has been no impact on the Group's operations and over the availability of bank funding. However, ICRA would continue to closely monitor any further developments related to this event and take appropriate rating action, if necessary

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: Click here

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	NA
Consolidation/Standalone	ICRA has considered the consolidated financials of PMFL. As on September 30, 2021, the company had one subsidiary, which is enlisted in Annexure-2.

About the company

PMFL is promoted by the Shah family members, who have been in the dairy business for more than two decades. It has three milk processing plants — one each at Manchar, Palamner and Sonipat. PMFL is present across the supply chain of procurement, processing and marketing of liquid milk and milk products under its brands Gowardhan, Go, Pride of Cows, Avvatar, Slurp and

Topp Up. The dairy products manufactured and marketed by the company include cow milk, ghee, cheese, butter, SMP, paneer, curd, whey powder, yoghurt, UHT milk, whey powder, flavoured milk and traditional dessert mixes. PMFL has a diversified portfolio with seven brands and over 170 stock keeping units.

BDFPL's (wholly-owned subsidiary of PMFL) unique farm-to-home initiative, branded as Pride of Cows, allows customers to access milk processed without any human interference using latest technologies and best global practices. BDFPL has also introduced a range of certified organic fertilisers by commercialising cow manure.

Key financial indicators (audited)

PMFL Consolidated	FY2020	FY2021	H1FY2022 (Provisional)
Operating Income (Rs. crore)	2437.9	1841.8	970.8
PAT (Rs. crore)	93.7	20.7	40.3
OPBDIT/OI (%)	8.7%	6.8%	10.1%
PAT/OI (%)	3.8%	1.1%	4.1%
Total Outside Liabilities/Tangible Net Worth (times)	0.8	0.8	0.6
Total Debt/OPBDIT (times)	1.9	3.1	1.9
Interest Coverage (times)	5.6	2.7	4.1

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)						Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020		Date & Rating in FY2019
					Dec 10, 2021	July 9, 2021	Apr 13, 2021	August 17, 2020	March 17, 2020	July 11, 2019	July 4, 2018
1	Fund-based - term loan	Long-term	43.31	43.31	[ICRA] A (Stable)	[ICRA] A (Stable)	[ICRA]A &	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)	[ICRA]A (Stable)
2	Working capital facilities	Long-term	270.0	--	[ICRA] A (Stable)	[ICRA] A (Stable)	[ICRA]A &	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)	[ICRA]A (Stable)
3	Non-fund-based facilities	Short term	100.0	-	[ICRA] A2+	[ICRA] A2+	[ICRA]A2+&	[ICRA]A2+	[ICRA]A1	[ICRA]A1	[ICRA]A2+
4	Non-Convertible Debenture	Long Term	150.0	-	[ICRA] A (Stable)	[ICRA] A (Stable)					

&= Under watch with developing implications

Complexity level of the rated instrument

Instrument	Complexity Indicator

Fund-based- Term loan	Simple
Fund -based- working capital facilities	Simple
Non-fund-based facilities	Very Simple
Non-convertible Debenture Programme	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
INE883N07011	Non-Convertible Debenture	May 2021	7.5%	May 2028	150.0	[ICRA]A(Stable)
NA	Term Loan-I	Sep 2017		Feb 2023	5.26	[ICRA]A(Stable)
NA	Term Loan-II	Sep 2017		Feb 2023	3.99	[ICRA]A(Stable)
NA	Term Loan-III	Feb 2019		Jan 2024	7.99	[ICRA]A(Stable)
NA	Term Loan-IV	Sep 2013		Dec 2021	8.85	[ICRA]A(Stable)
NA	Term Loan-V	April 2020		Mar 2022	17.22	[ICRA]A(Stable)
NA	Working capital Loan	-	-	-	270.0	[ICRA]A (Stable)
NA	Non-Fund Based Limits	-	-	-	100.0	[ICRA]A2+

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Bhagyalaxmi Dairy Farms Private Limited	100.00%	Full Consolidation

Source: *Company*

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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