

November 08, 2024

Dry Blend Foods Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based/ Cash credit limit	5.00	5.00	[ICRA]BBB(Stable); reaffirmed
Total	5.00	5.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for Dry Blend Foods Private Limited (DBFPL) factors in the extensive experience of the promoters, along with the established relationship with reputed customers and its healthy debt protection metrics. DBFPL's leverage, total external debt/OPBIDTA is estimated to be around 0.5 times, with DSCR of more than 9 times in FY2025, supported by low external debt of around Rs. 4.0–4.5 crore as of March 2025 (PY: Rs. 4.0 crore). While the company has capex plans of Rs. 2.0-2.5 crore, it is likely to be funded by its internal accruals. The rating notes the extensive experience of promoters with an established track record of operations in the dry foods industry (dry food mixes). The rating also considers the wide range of products offered by DBFPL, along with its association with reputed players in fast food industry.

The rating, however, remains constrained by the company's modest scale of operations with an operating income of Rs. 104.5 crore in FY2024, which is estimated to grow by 12%-17% in FY2025 and their dependence on key customers as top five customers accounted for 40% of the total revenue in FY2024. The rating also considers the high dividend payouts made in the past. Going forward, any significant dividend payout adversely impacting its liquidity profile will be a key rating monitorable. The rating is also constrained by the intense competition from both organised as well as unorganised players in the dry blend food industry resulting in limited pricing flexibility.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's expectations that DBFPL will benefit from the established relationship from its customers, while maintaining healthy debt protection metrics, supported by low external debt levels.

Key rating drivers and their description

Credit strengths

Healthy debt protection metrics – DBFPL's debt protection metrics are expected to remain healthy with leverage, total external debt/OPBIDTA estimated around 0.5 times and DSCR higher than 9 times in FY2025, supported by low external debt of around Rs. 4.0–4.5 crore as of March 2025 (PY: Rs. 4.0 crore). While the company plans to incur Rs. 2.0-2.5 crore towards capacity expansion and regular maintenance, it is likely to be funded by its cash flows from operations.

Long track record of promoters in dry blend food industry – The promoters have more than two decades of experience in manufacturing with an established track record of operations in the dry foods industry developing products (dry food mixes) for global manufacturers, fresh commissaries, frozen processors, and regional and international restaurant chains.

Association with reputed players and steady demand outlook for food industry – DBFPL offers a wide range of products and has long-term association with reputed players in the fast food industry. Its customer base entails reputed players from the Indian food industry like Jubilant Foodworks Limited, Copenhegan Hospitality P. Ltd, Midas Foods India Private Limited and Veeba Foods Services Private Limited.

Credit challenges

Modest scale of operations and dependence on key customers – DBFPL’s scale of operations remains modest with an operating income of Rs. 104.5 crore in FY2024, which is estimated to grow by 12%-17% in FY2025 and their dependence on key customers as top five customers accounted for 40% of the total revenue in FY2024.

Risks relating to large dividend payout – The company had paid dividends of Rs. 1.6 crore in FY2024. Also, it expects to pay dividends in similar lines in FY2025 and FY2026. Going forward, any significant dividend payout adversely impacting its liquidity profile will be a key rating monitorable.

Intense competition in domestic dry blend food industry – The dry blend food industry in India is characterised by intense competition from various organised and unorganised players. This leads to highly competitive pricing of orders, thereby exerting pressure on the margins. However, DBFPL’s long association with its customers helps to alleviate this risk to a certain extent.

Liquidity position: Adequate

DBFPL’s liquidity position is adequate as marked by low external debt outstanding. It plans to incur around Rs. 2-2.5 crore in FY2025 towards capacity expansion and regular maintenance, which is likely to be funded through the company’s internal accruals. The average utilisation of working capital limits remains low at around 40% for the past 16 months ending June 2024, which provides sufficient liquidity buffer. Further, the company has estimated debt obligations of Rs. 0.72 crore in FY2025 and Rs. 0.87 crore in FY2026, which is likely to be adequately met through its cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade the long-term rating if the company demonstrates a significant improvement in its scale of operations and earnings resulting in a significant enhancement in the net worth, while maintaining comfortable liquidity and debt protection indicators.

Negative factors – Negative pressure on the ratings could arise in case of a significant decline in scale or profitability. Additionally, any major debt-funded capex or high dividend payout or stretch in working capital cycle resulting in deterioration in leverage, liquidity or debt protection metrics could lead to rating downgrade. Specific metric which would exert pressure on the rating would be Total debt/OPBDITA rising above 3.0 times on a prolonged basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

DBFPL manufactures seasonings, premixes for cakes, desserts, brownies, etc, and caters to various customers such as Jubilant Foodworks Limited, Copenhegan Hospitality P. Ltd, Midas Foods India Pvt Limited and Veeba Foods Services Pvt. Limited, Bakers Circle India Private Limited, Taj SATS Air Catering Limited, etc. A major portion of its revenue comes from premixes and seasonings. The company’s manufacturing facility is located in Udham Singh Nagar (Uttarakhand). DBFPL is headed by Mr. S. S. Naroola, who has over two decades of experience in the dry blend foods industry. It is a part of Midas Foods International, which started operations in Michigan in 1980 and manufactures dry mousse mixes, whip toppings, puddings and other related

food products for global manufacturers, fresh commissaries, frozen processors as well as regional and international restaurant chains.

Key financial indicators (audited)

DBFPL Standalone	FY2023	FY2024
Operating income	92.4	104.5
PAT	3.3	4.4
OPBDIT/OI	5.6%	7.3%
PAT/OI	3.6%	4.2%
Total outside liabilities/Tangible net worth (times)	0.5	0.7
Total debt/OPBDIT (times)	0.9	0.5
Interest coverage (times)	21.7	25.5

Source: Company; ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. Crore; 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

Current (FY2025)				Chronology of rating history for the past 3 years					
FY2025				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Nov 08, 2024	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash credit	Long Term	5.00	[ICRA]BBB (Stable)	August 31, 2023	[ICRA]BBB (Stable)	June 03, 2022	[ICRA]BBB (Stable)	April 05, 2021	[ICRA]BBB (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based/Cash credit	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 analysing 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 are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund-based/Cash credit	-	-	-	5.00	[ICRA]BBB (Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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