April 08, 2025

Bhagyalaxmi Dairy Farms Private Limited: Rating placed on 'Rating watch with developing implications'.

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based – Term loans	64.31	62.29	[ICRA]BB+; placed on rating watch with developing implications
Long term - Fund based – Cash credit	10.00	10.00	[ICRA]BB+; placed on rating watch with developing implications
Long term - Unallocated	1.19	3.21	[ICRA]BB+; placed on rating watch with developing implications
Total	**75.50**	**75.50**	

**Instrument details are provided in Annexure I*

Rationale

On April 03, 2025, Bhagyalaxmi Dairy Farms Private Limited's (BDFPL) parent entity, Parag Milk Foods Limited (PMFL), announced that its board of directors approved the issue of convertible warrants on a preferential basis amounting to Rs. 161 crore, subject to shareholders' approval. Upon receiving the approval, ~25% of the total funds will be brought in within two weeks. The proposed issue aims to deleverage the company's balance sheet and support its working capital and capital expenditure requirements. Following the announcement, ICRA placed the company's ratings on 'Rating Watch with Developing Implications' as the above-mentioned development, if materialised, is expected to impact PMFL's capital structure and overall credit profile. This, in turn, may impact BDFLP's financial profile, as it derives comfort from the strong parent support. It also has significant operational and management linkages with its parent, PMFL. ICRA will continue to monitor the developments in this regard.

The rating for BDFPL also factors in the growing presence and recognition of the flagship brand, Pride of Cows, in the premium milk category with a cutting-edge processing centre, where milk processing and packaging is technology oriented without manual intervention. The distribution network is primarily targeted towards affluent customers across seven cities in India, including Mumbai, Pune, Bengaluru, New Delhi and Vadodara.

However, BDFPL's rating remains constrained by the company's moderate scale of operations and modest profitability in FY2024 and 9M FY2025. The company's ability to significantly scale up and improve margins remains to be seen. Further, the company's debt protection metrics will remain suppressed over the near term due to the sizeable debt-funded capex undertaken for setting up the new farm at Bota, Maharashtra.

Key rating drivers and their description

Credit strengths

Continued operational and financial support from the parent – BDFPL is a wholly owned subsidiary of PMFL, an established private dairy player in the liquid milk and VADP[1] categories with recognised brands, including Gowardhan, Go, Pride of Cows, Avvatar, Slurp and Topp Up. The two entities share operational, financial and management linkages, being in the same business

[1] *VADP – Value added products*

sector. PMFL, in the past, has extended support to BDFPL in the form of loans and advances, and the same is expected to continue on account of BDFPL's moderate scale of operations and lower margins, resulting in net loss.

Growing recognition and distribution of 'Pride of Cows' in premium milk category – BDFPL sells most of its processed milk via its flagship brand — Pride of Cows, while the remaining milk is sold to PMFL. Pride of Cows allows customers to access superior quality milk processed without any human interference, using latest technologies and best practices without any preservatives and chemicals. The company also launched Pride of Cow VADPs like clarified butter (ghee) and yoghurt. However, the revenue from such products remains minimal at present.

Credit challenges

Moderate scale of operations and losses at operating level – The company has a moderate scale of operations with a total revenue of Rs. 97.8 crore in FY2024 and Rs. 78.5 crore in FY2024. Of this, revenue contribution from the 'Pride of Cows' milk sales were Rs. 37.6 crore and Rs. 44.5 crore for FY2023 and FY2024, respectively. The company generated a substantial part of its revenues through the sale of surplus milk to PMFL. In FY2024, BDFPL's operating margin improved to 0.2% primarily due to price revisions for its main brand. Also, the prices were revised for the excess milk sold to PMFL. However, the company's ability to grow its margins and accruals by increasing sales of its flagship brand remains a key monitorable for its performance. Until then, PMFL will continue to extend funding support to BDFPL in the form of equity infusions and advances to meet its near-term commitments.

Modest debt protection metrics – The company has undertaken sizeable debt for its new farm in Bota, with the project inching towards completion, ramping up operations and generating adequate accruals to repay obligations remains to be seen. Until then, BDFPL's debt protection metrics are likely to remain suppressed.

Profitability vulnerable to movement in cattle feed prices – Cattle feed is the key raw material for the company. The price of cattle feed is dependent on agro commodities like de-oiled rice bran (DORB) and maize. Thus, any adverse movement in the prices of DORB or maize may impact the company's profitability.

Liquidity position: Stretched

BDFPL's liquidity is stretched, as evidenced by the negative cash flow from operations, full utilisation of its working capital limits (against available drawing power) and modest cash and cash equivalent of less than Rs. 1 crore as on December 31, 2024. The company had debt repayments of Rs. 2.4 crore and capex of Rs. 20-30 in FY2025, which was partially funded by a sanctioned term loan. Going forward, debt repayments are expected to be ~Rs. 5.4 crore and Rs. 8.4 crore, along with capex of ~Rs. 7.0-8.0 crore per annum in FY2026 and FY2027, respectively. BDFPL will continue to depend on funding support from its parent (PMFL) to meet its near-term commitments, given that internal accrual generation is expected to remain low. The increase in scale and internal accrual generation will be crucial to improve the company's liquidity position going forward.

Rating sensitivities

Positive factors – The rating can be upgraded if the company demonstrates increase in revenues and profit margins, leading to improvement in its debt protection metrics and liquidity position. Moreover, an improvement in the credit profile of the parent, PMFL, could also lead to a rating upgrade.

Negative factors – BDFPL's rating can be downgraded if there is a deterioration in the credit profile of its parent, PMFL. Moreover, pressure on the rating may arise if the company is unable to scale up and register an improvement in its cash accrual generation, resulting in continued pressure on its credit profile.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	The rating assigned to BDFPL factors in the high likelihood of PMFL extending financial support to it as its wholly-owned subsidiary and because of close business linkages between them. ICRA also expects PMFL to be willing to extend financial support to BDFPL to protect its reputation from the consequences of a group entity's distress.
Consolidation/Standalone	Standalone financials

About the company

BDFPL is a wholly-owned subsidiary of PMFL. Its unique farm-to-home initiative, branded as Pride of Cows, allows customers to access milk, which is processed without any human interference, leveraging the latest technologies and best global practices. Spread over 35 acres, the company's farm houses over 5,000 Holstein cows. It is equipped with one of India's first rotary parlours, which has mechanised the whole milking process and maximised quality and hygiene. The facility follows specialised farming, nurturing, breeding and milking programmes to ensure the highest quality of milk. Pride of Cows has a niche target group of health conscious and affluent consumers, with an expanding distribution network in Maharashtra and other regions, including Delhi NCR. The company has also set up a new farm in Bota, Maharashtra, which is expected to be spread over ~500 acres.

About the parent

PMFL is promoted by the Shah family, who have been in the dairy business for more than two decades. It has three milk processing plants—one each at Manchar (Maharashtra), Palamner (Andhra Pradesh) and Sonipat (Haryana). 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 clarified butter, cheese, butter, SMP, curd, whey powder, yoghurt, UHT milk, flavoured milk and traditional dessert mixes.

Key financial indicators (audited)

BDFPL (Standalone)	FY2023	FY2024
Operating income	78.5	97.8
PAT	-16.7	0.1
OPBDIT/OI	-25.3%	0.2%
PAT/OI	-21.3%	0.1%
Total outside liabilities/Tangible net worth (times)	2.7	1.7
Total debt/OPBDIT (times)	-4.8	437.0
Interest coverage (times)	-3.7	0.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount 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 (FY2026)				Chronology of rating history for the past 3 years					
FY2026				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Apr 08, 2025	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	62.29	**[ICRA]BB+; rating watch with developing implications**	Apr 08, 2024	[ICRA]BB+ (Negative)	May 10, 2023	[ICRA]BB+ (Negative)	Dec 27, 2022	[ICRA]BBB- (Negative)
		-	-	-	-	-	-	July 20, 2022	[ICRA]BBB (Negative)
Fund-based bank facilities	Long term	10.00	**[ICRA]BB+; rating watch with developing implications**	Apr 08, 2024	[ICRA]BB+ (Negative)	May 10, 2023	[ICRA]BB+ (Negative)	Dec 27, 2022	[ICRA]BBB- (Negative)
		-	-	-	-	-	-	July 20, 2022	[ICRA]BBB (Negative)
Unallocated	Long term	3.21	**[ICRA]BB+; rating watch with developing implications**	Apr 08, 2024	[ICRA]BB+ (Negative)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term - Fund Based – Term Loans	Simple
Long Term - Fund Based – Cash Credit	Simple
Unallocated	Not applicable

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	**Term Loan**	April 2020	~12.0%	FY2028	62.29	[ICRA]BB+; rating watch with developing implications
NA	**Working capital Limits**	NA	NA	NA	10.00	[ICRA]BB+; rating watch with developing implications
NA	**Unallocated**	NA	NA	NA	3.21	[ICRA]BB+; rating watch with developing implications

Source: Company

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

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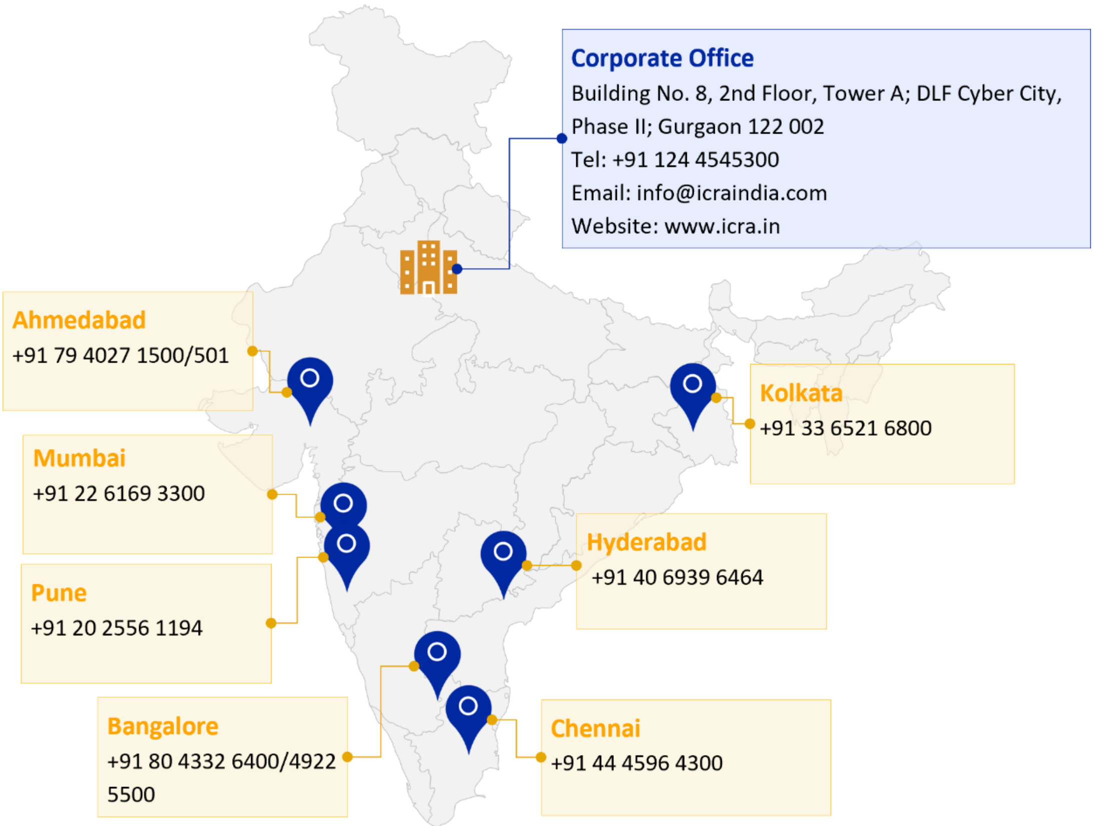

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