

## Dolphin Foods India Limited

Instrument	Amount in Rs crore	Rating
Long Term Fund Based Limits	5.07 (revised from 7.66 crore)	[ICRA]BBB-(Stable); upgraded
Long Term Unallocated Limits	5.93 (revised from 3.34 crore)	[ICRA]BBB-(Stable); upgraded

ICRA has upgraded the long-term rating assigned to **[ICRA]BBB-** (pronounced ICRA triple B minus) from [ICRA]BB (pronounced ICRA double B) to the Rs. 5.07 crore (revised from Rs. 7.66 crore)<sup>1</sup> fund based limits and Rs. 5.93 crore (revised from Rs. 3.34 crore) unallocated limits of Dolphin Foods India Limited (DFIL)<sup>2</sup>. The outlook on the long term rating is Stable.

The upgrade in rating factors in healthy growth of 39% in operating income and 43% in volumes during F2016 backed by wide product range of over 50 chocolate variants with regular capacity expansion towards addition of new products, healthy demand for DFIL's products in the domestic market, and geographical diversification into eight new states expanding its presence to 25 states in FY2016 with effective distribution channel in place consisting of direct distributors and super stockiest. The rating also positively takes into account healthy financial profile with comfortable gearing of 0.21 times and adequate coverage indicators as on March 31, 2016; and experienced promoters having more than 26 years of experience in the food processing industry.

However, the rating is constrained by modest scale of operations of DFIL with operating income of 85.34 crore in FY2016, and low capacity utilization of ~50% with constant addition of capacity owing to limited flexibility to switch between various products. The ratings also factor in high exposure to raw material price risk with sugar and liquid glucose contributing to 50% of total raw material costs; limited ability of the company to pass on the rise in prices to end users could exert pressure on margins as witnessed in FY2016. The rating also considers low entry barriers in the industry leading to high competition from local players manufacturing similar products.

ICRA notes that successful launch of new products remains crucial for effective capacity utilization and future volume growth. Going forward, ability of the company to scale up its operations, improve its profitability and maintain its capital structure given debt funded capex plans on the anvil will be the key rating sensitivities from credit perspective.

### Company Profile

Dolphin foods India Limited (DFIL) was incorporated in 1984, however it started operations in 2008. The company manufactures around 50 different variants of Hard boiled sugar confectionaries which include candy's in various flavors and jelly based candy items as well. The company is promoted by Mr D. S. Jabamani and his son Mr. Arun Dev Sahayam. The promoters have been engaged in the food products manufacturing business since 1980's through other group companies engaged in food processing business. DFIL sells under brand name 'OSHON' having its presence in the rural and semi urban markets PAN India. The installed capacity of the plant is 24,850 MTPA.

### Recent Results

As per audited financials for FY15, DFIL reported an operating income of Rs. 61.41 crore with profit after tax of Rs. 6.32 crore and Rs. 85.34 crore of operating income with profit after tax of Rs. 7.41 crore in FY16. (unaudited and provisional).

**June 2016**

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>2</sup>For complete rating scale and definitions, please refer to ICRA's website <http://www.icra.in> or other ICRA Rating Publications.



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