

December 10, 2021

Bhagyalaxmi Dairy Farms Private 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	65.50	65.50	[ICRA]A- (Stable)
Fund -based- Long term CC	10.00	10.00	[ICRA]A- (Stable)
Total	75.50	75.50	

Rationale

Material Event

On December 1, 2021, Parag Milk Foods Limited (PMFL or the Group, the parent company of Bhagyalaxmi Dairy Farms Private Limited [BDFPL]) 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 a rating of [ICRA]A- (Stable) outstanding on the bank lines of BDFPL. 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	The rating assigned to BDFPL factors in the high likelihood of PMFL extending financial support to it as a 100%-subsidiary of PMFL 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. In the past, PMFL has supported BDFPL by way of a corporate guarantee.
Consolidation/Standalone	Standalone financials

About the company

BDFPL is a wholly-owned subsidiary of PMFL, an established private dairy player in the liquid milk and value-added product category with renowned brands (including Gowardhan, Go, Pride of Cow, Avvatar, Slurp and Topp Up). BDFPL's 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. Spread over 35 acres, the farm houses over 2,500 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 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 Delhi NCR.

Key financial indicators (audited)

BDFPL Standalone	FY2020	FY2021
Operating Income (Rs. crore)	71.9	61.4
PAT (Rs. crore)	3.0	3.3
OPBDIT/OI (%)	1.4%	-0.1%
PAT/OI (%)	4.2%	5.3%
Total Outside Liabilities/Tangible Net Worth (times)	0.4	0.6
Total Debt/OPBDIT (times)	5.2	- 275.9
Interest Coverage (times)	1.2	- 0.1

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	Jan 7, 2019
1	Fund-based - term loan*	Long-term	65.5	43.31	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- &	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
2	Fund based-Long term CC	Long-term	10.0	--	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- &	[ICRA]A - (Negative)	-	-	-
3	Long term-Unallocated	Short term	0.0	-			-	-	[ICRA]A- (Negative)	[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- Long term CC	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
NA	Term Loan 1	Apr 2020		Mar 2028	65.50	[ICRA]A- (Stable)
NA	Working capital Loan	-			10.00	[ICRA]A- (Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

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