

## Umang Dairies Limited

Instrument	Amount (Rs crore)	Rating Action
Cash Credit Limits	12.00	[ICRA]BBB- (Stable)/ Reaffirmed
Long-Term Loan	14.00	[ICRA]BBB- (Stable)/ Reaffirmed

ICRA has reaffirmed its long-term rating on Rs.26.00 crore<sup>1</sup> fund based bank facilities of Umang Dairies Limited (UDL, formerly JK Dairy and Foods Limited)<sup>†</sup> at [ICRA]BBB- (pronounced as ICRA triple B minus). The outlook on the rating is 'Stable'.

ICRA's rating reaffirmation takes into consideration UDL's stable profitability despite challenging export scenario and adequate capacity utilization owing to increased share of job work for manufacturing milk powder and ghee. The capacity utilization of the drying plant stood at ~46% in FY15 up from ~38% in FY14 owing to volumetric growth of ~26% in the contract manufacturing for Mother Dairy Fruits & Vegetable Pvt. Ltd. (MDFVPL or Mother Dairy). Further, the plant capacity utilization of liquid milk packaging (LMP) plant increased to ~90% in FY15 from ~87% in FY14. The company has been curtailing own manufacturing of skimmed milk powder (SMP) due to limited demand in export markets. The top line of the company is expected to post contraction in the current fiscal with the reduction in the manufacturing of SMP and Ghee on its own account. However, the company has increased job work activities for Mother Dairy in order to maintain capacity utilization. The company is setting up captive biomass based power plant at an investment of Rs. 16.00 crore which is being funded in debt-equity of 2.55:1. The power plant is expected to commence operations from May 2016 with cost overrun of ~7% and time overrun of two months. The financial profile of the company has improved slightly with gearing of 0.82 times as on March 31, 2015 compared to 0.99 times as on March 31, 2014 though UDL has significant repayments in FY2017.

The rating however continues to remain constrained by the vulnerability of the company's profitability to the fluctuations in milk availability and prices; given that milk availability is highly seasonal in North India. Owing to the commoditized nature of the product and the fragmented nature of the market, there is limited ability to pass on the increase in costs. Further, the industry is exposed to Government regulations in terms of export restrictions, as witnessed in the past. The rating is also constrained on account of the company's limited product portfolio and entry barriers in the branded dairy segment which is primarily dominated by strong brands

The company's ability to successfully commence the captive power plant in scheduled time and cost with expected cost savings will remain key rating sensitivities. Timely renewal of agreement with Mother Dairy which will be due in September 2016 and its framework will be the monitorable.

### Company Profile

UDL (formerly JK Dairy and Foods Limited) was incorporated in December-1992 and is a part of the JK Group with promoters holding 74.61% stake in the company. UDL is engaged in manufacturing of milk products and processing / packaging of liquid milk at its manufacturing facilities based in Gajraula (Uttar Pradesh) which has two plants - Drying plant and Liquid Milk Packaging (LMP) plant. The drying plant which was set up in the year 1994 and has an installed capacity of 4.5 LLPD<sup>2</sup>, converts the liquid milk to milk powder and butter/ghee. The LMP plant was set up by UDL in the year 2009 and has an installed capacity of 6 LLPD which is exclusively utilized for processing and packaging of milk for MDFVPL, through group company – LVP Foods Private Limited (LVPFPL). The company was registered with BIFR (Board for Industrial and Financial Reconstruction) as a Sick Industrial unit since May-2002; however with improvement in profitability and reduction in the accumulated losses, the net worth of UDL turned positive as on March 31, 2012 which facilitated its exit from BIFR in December-2012.

### Recent Results

UDL registered an operating income (OI) of Rs. 251.14 crore and profit after tax (PAT) of Rs. 8.52 crore in FY 2015 compared to OI of Rs. 216.37 crore and PAT of Rs. 5.96 crore in the previous year.

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

<sup>†</sup> For complete rating definition please refer to ICRA website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications

<sup>2</sup> LLPD – Lac Liters Per Day



On a provisional basis, UDL registered an OI of Rs. 139.80 crore and PAT of Rs. 4.54 crore in 9M 2016 compared to an OI of Rs. 176.84 crore and PAT of Rs. 4.95 crore during the corresponding period of previous year.

**March 2016**

*For further details, please contact:*

Analyst Contacts:

**Mr. Sabyasachi Majumdar** (Tel. No. +91 124 4545304)  
sabyasachi@icraindia.com

Relationship Contacts:

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
jayantac@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved.  
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: **9871221122**

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: **9821086490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500