

Ideal Ice Cream

Instruments	Amounts	Rating Action
	(Rs. crore ¹)	May 2016
Long-Term - Fund Based Facilities	2.00	[ICRA]BBB- (Stable);
Long-Term - Term Loan	2.50	Upgraded from [ICRA]BB+ (Stable)

ICRA has upgraded the long-term rating assigned to the Rs. 4.50 crore long-term term loan and fund based facilities of Ideal Ice Cream (the firm) from [ICRA]BB+ (pronounced ICRA double B plus) to [ICRA]BBB- (pronounced ICRA triple B minus). The outlook on the long-term rating is Stable.

The rating upgrade takes into account the consistent growth in the firm's revenues on the back of capacity addition leading to improvement in profitability and coverage indicators with better absorption of fixed costs, its established milk procurement & distribution network, regular introduction of new product varieties and increase in realizations and the favorable demand outlook for the ice-cream manufacturing business which has lately witnessed several innovations with respect to product offerings and delivery of service. The rating also takes into account the healthy financial profile of the firm as evidenced by the strong liquidity position on account of its moderate working capital intensity and healthy profitability and the comfortable capital structure and coverage indicators over the years. The rating also derives support from the long standing experience of the promoters in the dairy industry and the significant market share enjoyed by the firm's brand in Mangalore and neighbouring markets.

The rating, however, remains constrained by the firm's small scale and low diversification of operations with the entire product portfolio comprising of ice-creams; the high geographical concentration with majority of revenues being currently generated from Mangalore, Udupi and their surrounding areas. The rating also considers the exposure of the firm to the inherent risks associated with the sole proprietorship nature of business, including the risks of capital withdrawal and limited ability to raise capital, among others. ICRA notes that the firm's ability to withstand competition in the Bangalore and Mysore markets where the firm is planning to expand its business, will be critical to its overall growth. However, the firm's established presence in the ice-cream manufacturing business mitigates the above risks to an extent. Going forward, the firm's capital structure is expected to remain moderate despite the envisaged capital expenditure of ~Rs. 10 crore to be incurred over the next two years, owing to a healthy net worth base.

Company Profile

Established in 1975, Ideal Ice Cream Group was promoted by Mr. S. Prabhakar Kamath with a single ice-cream parlour named Ideal Ice Cream Parlour at Mangalore. Part of the Ideal Ice Cream Group, Ideal Ice Cream (Ideal / the entity) was started as a sole proprietorship concern in 2003 by Mr. Mukund Kamath (son of Mr. Prabhakar Kamath) for backward integration into large scale ice cream manufacturing. In addition, Ideal Ice Cream also owns two windmills with a capacity of 1.25 MW each in Gadag and Hasan districts of Karnataka. The power from the windmills is sold to Karnataka Power Transmission Corporation Limited (KPTCL).

The Ideal Ice Cream Group has significant retail presence in Mangalore through the 4 parlours Ideal's, Ideal Cream Parlour, Ideal cafe, and Pabba's which have an aggregate seating capacity of around 1000 people. The group also has presence in baked products like breads, buns, biscuits, etc through the entity Ideal Ice Cream Bakers and is engaged in ice cream distribution business in Mangalore through the entity Ideal Traders. While Ideal Ice Cream is owned and managed by Mr. Mukund Kamath, the other entities including the retail parlours are owned by his father (Mr. Prabhakar Kamath) and his wife.

Recent results

During 2015-16 (based on provisional figures), the firm reported a profit before tax of Rs. 8.18 crore on an operating income of Rs. 48.34 crore as against a profit before tax of Rs. 5.71 crore on an operating income of Rs. 41.81 crore during 2014-15.

May 2016

¹ 100 lakhs = 1 crore = 10 millions



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