

## A.R. Dairy Food Private Limited

Instruments	Amounts (Rs. crore <sup>1</sup> )	Rating Action
Long-term: Term loans	8.53 (revised from 3.85)	[ICRA]BB+(stable) / reaffirmed
Long-term: Fund based facilities	14.00	
Proposed facilities	3.22 (revised from 0.80)	
Short-term: Fund based facilities	1.00	[ICRA]A4+ reaffirmed
Short-term: Non-fund based facilities	1.10 (revised from 1.20)	

ICRA has reaffirmed the long-term rating of **[ICRA]BB+** (pronounced ICRA double B plus) outstanding on the Rs. 8.53 crore (revised from Rs. 3.85 crore) term loans, the Rs. 14.00 crore fund based facilities and the Rs. 3.22 crore (revised from Rs. 0.80 crore) proposed facilities of A R Dairy Food Private Limited (ARDFPL / the company)<sup>2</sup>. ICRA has also reaffirmed the short-term rating of **[ICRA]A4+** (pronounced ICRA A four plus) outstanding on the Rs. 1.00 crore fund based facilities and Rs. 1.10 crore non-fund based facilities of the company. The outlook on the long-term rating is stable.

The rating action takes into account the healthy growth in the company's realizations and margins during over the past 18 months and takes note of the continued efforts by the company to increase the proportion of value-added products like butter, curd and ghee which is likely to support margin growth over the medium term. The ratings also factor in the favourable long-term demand prospects for the industry and the efforts taken by the company to tap the same by improving its brand presence and dealer network. The ratings continue to draw comfort from the experience of the promoter in the dairy industry for about two decades. The ratings are however, constrained by the moderate financial profile of the company which has been impacted further, following the debt-funded capital expenditure during 2015-16 for the purchase of windmill. The capital structure remains stretched with gearing of 2.1 times as on March 31, 2016 in spite of stable accruals supporting the net worth position. The ratings further consider the intense competition from government and private dairies which limits the company's bargaining power with its suppliers and customers. Going forward, with debt funded capital expenditure plans in the near term, the company's ability to increase its revenues and maintain its profit margins, and thereby improve its cash flows, would be critical to improve its overall credit profile.

### Firm Profile

A.R Dairy Food Private Limited is primarily engaged in the manufacturing and marketing of milk. The company also sells other products like milk powder, butter, curd, butter milk, flavoured milk and packaged drinking water. The milk and flavoured milk are sold under its brand names – 'Raaj' and 'Milky Choice' respectively; packed drinking water is marketed under brand names 'Raaj' and 'Maanus'. The company's milk processing unit is located in Dindigul, Tamil Nadu and has an installed capacity of 2.0 lakh liter per day (LLPD). The company was initially promoted by Mr. R. Rajasekaran, in the name of Sarayu Cryogenics Private Limited (Saray) during 1995. Sarayu was engaged in the manufacturing of liquid oxygen. During 1998, the name was changed to A.R Dairy Food Private Limited and the entity commenced the manufacturing of milk and milk products.

### Recent Results

According to unaudited financial statements, the company reported a net profit of Rs. 5.5 crore on an operating income of Rs. 204.0 crore during 2015-16 as against a net profit of Rs. 1.3 crore on an operating income of Rs. 234.6 crore during 2014-15 (audited).

**June 2016**

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

<sup>2</sup> For a complete rating scale and definitions, please refer to ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA rating publications.



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