Asian Lakto Industries Limited

Instrument	Amount	Rating Action
Long Term - fund based	Rs. 13.00 crore	[ICRA]B-; *Assigned*
	Rs. 13.00 crore	

ICRA has assigned its long term rating of [ICRA]B- (pronounced ICRA B minus) to the Rs 13.00 crore fund-based bank facilities of Asian Lakto Industries Limited (ALIL).

ICRA's rating is constrained on account of ALIL's low profit margins on account of the intense competition in the industry. The rating also takes into account the seasonal nature of the business and the company's relatively modest scale of operations. The rating also factors in the company's high working capital intensity on account of high inventory levels. The reliance on bank borrowings for funding the working capital requirements has resulted in a leveraged capital structure. The low profitability coupled with the high debt levels has resulted in weak coverage indicators with elevated TD/OPBDITA[*] and weak NCA/TD[†].

However, the rating factors in positively the extensive experience of the promoters in the beverage industry, the company's long track record of operations, its wide distribution network and established relationships with reputed clients.

Going forward, the ability of the company to improve its margins, scale up its operations and strengthen its coverage indicators will be the key rating sensitivities.

Company Profile

Incorporated in 1994, by Mr. Radhe Shyam Poddar, Mr. Gopal Poddar and Mr. Neeraj Poddar, ALIL was originally engaged in processing of flavoured milk. In 2007, the company diversified its business and started processing of fruit juice. In 2010, ALIL exited the flavoured milk business owing to continued losses. The company sells its fruit juices through various distributors and retail chains under the brand name of 'Mr. Fresh' in various flavours, viz. mango, apple, lichi, guava, mixed fruit, etc.

Recent Results

On a provisional basis, ALIL registered a profit after tax (PAT) of Rs. 1.3 crore on an operating income (OI) of Rs. 74.3 crore in FY15, as against a PAT of Rs. 1.01 crore on an OI of Rs. 70.76 crore in the previous year.

October 2015

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[**] TD/OPBDITA-Total Debt/Operating profit Before Depreciation, Interest, tax and Amortization
[†] NCA/TD-Net Cash Accruals/total Debt

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