Asian Lakto Industries Limited

May 24, 2018

Summary of rated instrument

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based limits	13.00	13.00	[ICRA]B+ (Stable); reaffirmed
Total	**13.00**	**13.00**	

Rating action:

ICRA has reaffirmed its long-term rating on the Rs. 13 crore fund-based facilities of Asian Lakto Industries Limited (ALIL) at [ICRA]B+ (pronounced ICRA B plus). The outlook on the long-term rating is Stable.

Rationale:

ICRA's rating reaffirmation takes into account year-on-year ~15% decline in topline in FY2018which is likely to adversely impact the profitability though overall the credit profile remains comparable to its rating category. The liquidity of the company remains slightly stretched as reflected in almost full utilisation of the working capital limits and availment of ad-hoc facilities. The rating continues to be constrained on account of ALIL's low profit margins on account of the intense competition in the industry, the seasonal nature of the business and the company's relatively modest scale of operations. However, the rating continues to draw comfort from the extensive experience of the promoters in the beverage industry, ALIL's long track record of operations, its wide distribution network and established relationships with corporate 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.

Outlook: Stable

ICRA believes that ALIL will continue to benefit due to its established dealership network and extensive experience of its promoters. The outlook may be revised to Positive if there is substantial growth in revenue and profitability, and better working-capital management, strengthening the financial risk profile. The outlook may be revised to Negative if cash accruals are lower than expected or a significant stretch in working-capital cycle further weakens liquidity.

Key rating drivers:

Credit strengths

- **Extensive experience of the promoters:** The promoters of the company has more than four decades of experience in the beverage industry
- **Established relationship with customers:** ALIL has a distribution network and established relationships with its customers

Credit challenges

- **Moderate scale of operations:** The company's scale of operations is moderate with presence mainly in the northern states of Punjab, Haryana, Himachal Pradesh and Jammu & Kashmir

- **Fragmented industry and intense competition:** ALIL operates in a fragmented industry comprising many small players in the unorganised segment, leading to intense competition and low margins
- **Modest financial profile:** ALIL's financial profile is characterised by low profitability and weak coverage indicators
- **Stretched liquidity:** ALIL's liquidity is stretched, as reflected in almost full utilisation of working capital limits and availment of ad-hoc limits

Links to applicable criteria:

Corporate Credit Rating Methodology

Fast Moving Consumer Goods Industry

About the entity:

Incorporated in 1994 by Mr. Radhe Shyam Poddar, Mr. Gopal Poddar and Mr. Neeraj Poddar, ALIL was originally engaged in the processing of flavoured milk. In 2007, the company diversified its business and started processing fruit juices. In 2010, ALIL exited the flavoured milk business owing to continued losses. ALIL has an established distribution network across the states of Haryana, Punjab and Himachal Pradesh and sells its fruit juices through various distributors and retail chains under the brand name, '*Mr. Fresh*', in various flavours of mango, apple, lichi, guava, mixed fruit, etc.

The company reported a net profit of Rs. 1.5 crore on an operating income (OI) of Rs. 82.9 crore in FY2017 as against a net profit of Rs. 1.3 crore on an OI of Rs. 76.2 crore in FY2016. As per provisional financials, the company has reported an OI of Rs. 70.5 crore in FY2018.

Key financial indicators (audited)

	FY2016	FY2017
Operating Income (Rs. crore)	76.2	82.9
PAT (Rs. crore)	1.3	1.5
OPBDIT/OI (%)	4.9%	5.0%
RoCE (%)	13.7%	12.3%
Total Debt/TNW (times)	2.2	2.5
Total Debt/OPBDIT (times)	4.9	6.0
Interest Coverage (times)	2.4	2.5
NWC/OI (%)	27%	35%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2018) Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating May 2018	Chronology of Rating History for the past 3 years: Date & Rating in FY2017 Jan 2017	Date & Rating in FY2016 Oct 2015	Date & Rating in FY2015
1	Fund-based limits	Long Term	13.00		**[ICRA]B+ (Stable)**	**[ICRA]B+ (Stable)**	**[ICRA]B-**	**-**

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the 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	Cash Credit	2017			13.00	[ICRA]B+ (Stable)

Source: ALIL

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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