Farmgate Agro Milch Private Limited

March 19, 2025

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	191.25 (enhanced from 179.98) (including proposed limit of 11.27)	IVR BBB+/ Stable (IVR Triple B plus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B plus with Stable outlook)	Rating reaffirmed	Simple
Short-Term Bank Facilities	28.75	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	Rating reaffirmed	Simple
Total	**220.00 (Rs. Two hundred twenty crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Farmgate Agro Milch Private Limited (FAMPL) continues to derive comfort from its experienced promoters with long track record, strategic location of the plants, adequate milk procurement network spread across Punjab, satisfactory distribution network, continuous growth in scale and moderate financial risk profile. These rating strengths are partially offset by stiff competition from organised co-operatives, private players and unorganised sector pressurizing profitability of dairy companies, sensitivity to SMP stock and institutional demand, exposure of milk production to external factors such as climatic conditions and cattle diseases; as also to Government regulations on pricing of milk and milk products and working capital intensive nature of operation.

The outlook is proposed as Stable on the back of satisfactory demand outlook of the respective industry coupled with increase in scale of operation and improvement in financial risk profile of the company.

Key Rating Sensitivities:

Upward Factors

- Sustained revenue growth coupled with improvement in profitability on a sustained basis.
- Growth in cash accrual and prudent working capital management.

Downward Factors

- Moderation in scale of operations and/or profitability.
- Further deterioration in working capital management.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with long track record**
  The promoters have long-standing experience in production and selling of Dairy products. Currently, Mr. Rakesh Kumar, director, looks after day-to-day affairs of the company along with other directors, Mr. Rajat Prabhakar and Mr. Rishab Prabhakar, and a team of experienced personnel. All the directors are having vast experience in the same industry. This apart, the company has started operation since 1992 as a partnership firm and incorporated in December 2010, thus enjoying long and proven track record.
- **Strategic location of the plants**
  The company's manufacturing facilities are located at Kundil, Sonepat in the state of Haryana and other one is at Mandal, Chittoor in the state of Andhra Pradesh. Both the units are in close proximity to raw material suppliers. Moreover, the plants are well connected through road and rail transport which facilitates easy transportation of raw materials and finished goods. Hence, the plants enjoy competitive advantages in terms of containment of transportation costs and ready market.
- **Adequate milk procurement network spread across Punjab, satisfactory distribution network**
  The company's procurement matrix is spread across the states of Punjab, Haryana and Andhra Pradesh. Presence of the procurement network which consists of around 15 chilling centers and network of bulk cooling centers proxime to the factory locations advantage in terms of logistics given the physiological sensitivity of the product (milk) as also provides for some cost advantage. On the other hand, the company over the years, has established an efficient distributor network covering 200 plus dealers spread across Delhi, Uttar Pradesh, Bengal, Andhra Pradesh, Punjab, Haryana and other parts of India.

- **Continuous growth in scale**

TOI has increased at a CAGR of ~31% during last three financial years ending in FY24 (refers to period April 1st, 2023, to March 31st, 2024) with y-o-y increase of ~8% over FY23 (refers to period April 1st, 2022, to March 31st, 2023), on the back of increase in sales volume of milk and related products. Further, Chitoor plant has started utilising its full capacity since FY23, which helps the company to sell higher volume in the year.

- **Moderate financial risk profile**

  The financial risk profile remained moderate marked by comfortable gearing levels and debt protection metrics. The net worth of the company stood at Rs. 142.28 crore as on 31st March 2024 as against Rs. 116.16 crore as on 31st March 2023, on account of accretion of reserves and fresh infusion of equity capital, which stood at Rs. 0.23 crore as on March 31, 2024. The overall gearing ratio and Total Debt to GCA both increased to 1.61x and 9.58x respectively as on March 31, 2024, on the back of higher bank borrowing with the moderation in scale. Total indebtedness marked by TOL/TNW improved to 2.23x as on March 31, 2024, from 3.28x as on March 31, 2023. The debt protection metrics stood comfortable marked by Interest Coverage Ratio of 2.56x and Debt Service Coverage Ratio of 1.51x in FY24.

Key Rating Weaknesses

- **Stiff competition from organised co-operatives, private players and unorganised sector pressurizing profitability of dairy companies, sensitivity to SMP stock and institutional demand**

  The milk and milk products industry is characterised by intense competition from the organised co-operatives, large private players and unorganized players. Apart, the profitability of dairy entities also remains vulnerable to the skimmed milk powder inventories as well institutional demand, any adverse movement is likely to have a bearing on their profitability.

- **Exposure of milk production to external factors such as climatic conditions and cattle diseases; as also to Government regulations on pricing of milk and milk products**

  Milk availability is influenced to a great extent by agro-climatic conditions, which plays a major influence in the tropics. The industry is vulnerable to risks associated with the failure of milk production due to external factors like cattle diseases and extension of the lean season due to drought-like conditions, which ultimately affect milk availability and hence prices. The price of the dairy industry's raw material, milk, is sensitive to Government policies, environmental conditions, and epidemic-related factors. The Milk and Milk Products Order (MMPO) regulates milk and milk products production in the country.

- **Working capital intensive nature of operation**
  The operation of the FAMPL is working capital intensive as the company needs to procure its raw materials i.e. raw milk mostly on advance basis or with minimum credit period and on the other hand has to store finish goods at the end of the year to supply in summer season. The operating cycle of FAMPL stood at 58 days in FY24 from 48 days in FY23. The average creditor days slightly elongated to 34 days in FY24 (from 31 days in FY23). However, collection period has improved to 36 days in FY24 (46 days in FY23) on account of efficient marketing analysis which led to sturdy collections. The average utilisation of its working capital was high at about 85% during past 12 months ended on December, 2024.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

FAMPL has earned a gross cash accrual of Rs. 23.94 crore in FY24. Further the company is expected to earn a gross cash accrual in the range of ~ Rs. 27 to 33 crore as against its debt repayment obligations in the range of ~ Rs. 9 to 12 crore per year during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Further, average cash credit utilisation of the company remained moderate at ~85% during the past 12 months ended December 2024 indicating an adequate liquidity cushion.

About the Company

Farmgate Agro Milch Private Limited (FAMPL) was established in 2010 as a dairy product manufacturing company under the leadership of Mr. Rakesh Kumar. The company have two plants which are located in Kundli, Haryana and Chittoor, Andhra Pradesh. The company is engaged in manufacturing of products like Pasteurized packaged milk, milk powder, dairy whitener, butter, pure ghee, curd, lassi & paneer. The company's marketing network consists of distributors & dealers/sub dealers/retailers in the northern and central states of India. The Company also export a certain portion of their products to various countries such as Bangladesh, Egypt, Madagascar, Yemen, Algeria, Syria, Jordan, Jeddah, Karachi, Lome, Mauritania, Kuwait, Dubai and many other countries. The company is promoting its milk products under the brand name of 'Rajat' and 'Dairy Angel' and "Farmgate".

Currently, Mr. Rakesh Kumar, director, looks after day-to-day affairs of the company along with other directors and a team of experienced personnel.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1407.42	1526.50
EBITDA	40.44	48.29
PAT	17.11	19.23
Total Debt	157.24	229.26
Tangible Net Worth	116.16	142.28
EBITDA Margin (%)	2.87	3.16
PAT Margin (%)	1.22	1.26
Overall Gearing Ratio (x)	1.35	1.61
Interest Coverage (x)	3.12	2.56

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Brickwork Ratings through its press release dated February 27, 2025 moved FAMPL's ratings under 'Issuer not Cooperating' category on account of inadequate information to carry out the review.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Jan 18, 2024)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1	Cash Credit	Long Term	146.27	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-
2	Term Loan	Long Term	21.29	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-
3	LDS WCL	Long Term	12.42	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-
4	Overdraft	Short Term	28.50	IVR A2	IVR A2	-	-
5	Corp. Credit Card	Short Term	0.25	IVR A2	IVR A2	-	-
6	Proposed Cash Credit	Long Term	11.27	IVR BBB+/ Stable	-	-	-

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Instrument/Facility Details:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	August 2025	2.17	IVR BBB+/ Stable
Term Loan 2	-	-	May 2025	2.39	IVR BBB+/ Stable
Term Loan 3	-	-	December 2024	1.73	IVR BBB+/ Stable
Term Loan 4	-	-	May 2029	15.00	IVR BBB+/ Stable
Cash Credit 1	-	-	-	10.00	IVR BBB+/ Stable
Cash Credit 2	-	-	-	30.00	IVR BBB+/ Stable
Cash Credit 3	-	-	-	8.00	IVR BBB+/ Stable
Cash Credit 4	-	-	-	8.27	IVR BBB+/ Stable
Cash Credit 5	-	-	-	40.00	IVR BBB+/ Stable
Cash Credit 6	-	-	-	50.00	IVR BBB+/ Stable
Proposed Cash Credit	-	-	-	11.27	IVR BBB+/ Stable
LDS WCL	-	-	-	12.42	IVR BBB+/ Stable
Overdraft	-	-	-	28.50	IVR A2
Corp. Credit Card	-	-	-	0.25	IVR A2

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-FAMPL-mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.