

## Rating Rationale

**Brickwork Ratings assigns the rating to ‘BWR BBB’ for Bank Loan Facilities including proposed limits aggregating ₹ 131.22 Cr of Gopaljee Dairy Foods Private Limited**

Brickwork Ratings have assigned the **Rating<sup>1</sup>** for Bank Loan facilities including proposed limits aggregating ₹ 131.22 Cr of Gopaljee Dairy Foods Private Limited (**‘GDFPL’ or the ‘Company’**) as follows:

Facility	Present Limits including Proposed Limits (₹ Cr)	Tenure	Rating
<b>Fund Based:</b>		<b>Long Term</b>	<b>BWR BBB</b> (Pronounced BWR Triple B)  <b>Outlook:Stable</b>
Cash Credit/OD*	<b>34.00</b>		
Proposed Cash Credit/CC-WHR*	<b>55.00</b>		
Term Loan-I*	<b>19.22</b>		
Term Loan-II*	<b>6.25</b>		
Proposed Term Loan*	<b>16.75</b>		
<b>Total</b>	<b>131.22</b>	<b>INR One Hundred Thirty One Crores &amp; Twenty Two Lakhs Only</b>	

**\*Note: Term Loans are outstanding as on 05 Nov, 2015. Proposed Limits are yet to be disbursed.**

BWR has essentially relied upon the audited financials for FY13, FY14, FY15 and projected financials for FY16 & FY17 of Gopaljee Dairy Foods Private Limited, publicly available information and information/clarification provided by the Company’s management.

The ratings continue to draw comfort from the experienced and resourceful promoters in the dairy industry, established track record, consistent growth in revenues & net-worth, strong brand equity enjoyed by the company’s “Gopaljee” brand & its diverse product portfolio, systematic procurement and distribution channel, established client relationships and tie-ups with its suppliers, diversified client base and demand for processed dairy products.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

However, rating is constrained by sensitivity to the changes in government policies and environmental conditions, seasonal nature of operations, thin profitability margins, high gearing levels and fragmented nature of industry which makes the industry vulnerable to high competition and restricts the product pricing flexibility.

### **Background:**

Gopaljee Dairy Foods Private Ltd (GDFPL) was first set up as private limited company in the name of RSD Milk & Food Private Limited in the year 2004 at Delhi by Mr. Radhey Shyam Dixit and thereafter it was renamed as GDFPL in March 2008. It is a part of RSD group with promoters holding 90.38% stake in the company. The company is engaged in manufacturing of processed milk and milk products like ghee, skimmed milk powder, dahi, lassi/chhachh, paneer, flavored milk etc. The company products are sold under brand name of “Gopaljee”. Its processing unit is located in Siyana, Uttar Pradesh, and processes 3 lakh liters of milk everyday into various products. GDFPL is ISO 22000:2005 certified and follows food & safety manual (HACCP) and AGMARK certification for ‘Gopaljee Ghee’. It has been awarded Entrepreneur Award and Best Dairy Award by Government of India.

GDFPL is in the process of setting up another processing unit Pilukhwa Distt- Hapur (UP). The unit will be operational from January 2016 with a processing capacity of 6 lakhs liters of milk per day. This will increase the total processing capacity of the company to 9 lakhs liters per day. The company is being provided with grant of ₹10.00 Cr by MOFPI (GOI) for setting up this new plant, out of which it has already received grant of ₹7.50 Cr till date.

### **Management Profile**

Mr. Radhey Shyam Dixit is the Chairman and Managing Director of the company. He is a graduate from DU and has an experience of three decades in the dairy industry. Mrs. Sunita Dixit is a Director of the company and she is a graduate and has good experience in the industry. Mr. Nikhil Mishra is a Director of the company who is a graduate and has an experience of more than fifteen years in the industry.

### **Financial Performance:**

As per the audited results of FY15, company topline has increased by 17.62% from ₹ 541.07 Cr in FY14 to ₹ 635.80 Cr in FY15. The EBITDA margins have increased from 2.56% in FY14 to 2.92% in FY15. The Tangible Net Worth has improved from ₹ 19.13 Cr in FY 14 to ₹ 23.44 Cr in FY15. ISCR was comfortable at 3.66 times in FY15.

As reported, company has achieved estimated net sales of ₹ 341.82 Cr for 6MFY16 (unaudited).

### Rating Outlook:

The rating outlook is expected to be stable over current year. Going forward, the company's ability to meet its projections, improve profitability margins & capital structure, successful commissioning of its new plant as per timelines and manage its working capital efficiently to maintain liquidity will remain the key rating sensitivities.

<b>Analyst Contact</b>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone</b>	<b>Media Contact</b>
<b>1-860-425-2742</b>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

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