

## Rating Rationale

**Brickwork Ratings reaffirms the rating to BWR BBB for the bank loan facilities aggregating ₹ 126.27 Cr of Gopaljee Dairy Foods Private Limited ('GDFPL' or 'the Company')**

Brickwork Ratings has reaffirmed the **Ratings<sup>1</sup>** for the bank loan facilities of GDFPL as follows:

Facility	Previous Amt. (₹ Cr)	Present Amt. (₹ Cr)	Tenure	Ratings History	Ratings <sup>1</sup>
<u>Fund Based</u>					
Cash Credit/OD	34.00	<b>79.00</b>	<b>Long Term</b>	BWR BBB (BWR Triple B) Outlook Stable November 2015	<b>BWR BBB (BWR Triple B) (Reaffirmed) Outlook-Stable</b>
Proposed Cash Credit/CC – WHR	55.00	<b>10.00</b>			
Term Loans	25.47	<b>27.27</b>			
Proposed Term Loans	16.75	<b>10.00</b>			
<b>Total</b>	<b>131.22</b>	<b>126.27</b>	<b>INR One Hundred Twenty Six Crores and Twenty Seven Lakhs Only</b>		

BWR has principally relied upon the, audited financials up to FY15, provisional financials for FY16 and projected financials up to FY18, publicly available information and information/clarifications provided by the company.

The ratings continue to draw comfort from the extensive experience of promoters in the dairy industry, improvement in the top line with achievement of its targeted figures in FY16, over capacity utilization of its existing unit (Siyana, UP), commencement of its new unit (Pilukhwa district, Hapur) in March 2016 and increasing distribution and retail network coupled with hiring of new processing plant in Kanpur with a capacity of 1 lakh litres per day in July 2016. However, the rating continues to remain constrained on account of thin profitability margins, increasing debt level on account of capex made for its new unit 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

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

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 at 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 has also set up another processing unit Pilukhwa Distt- Hapur (UP). The unit has commenced its operations in March 2016 with a processing capacity of 6 lakhs liters of milk per day. This has increased the total processing capacity to 9 lakhs liters per day. Further, in order to increase network and cater to a new demand; the company has hired a processing unit in Kanpur with a capacity of 1 lakh litres per day.

### Management

GDFPL is a family owned business. The key promoter is Mr. Radhey Shyam Dixit, who is also the Chairman and Managing Director of the Company.

### Financial Performance

GDFPL recorded a 34% increase in topline from Rs. 648.02 Crs in FY15 to Rs. 868.33 Crs in FY16. Net Profit improved to Rs. 7.20 Crs in FY16 as against Rs. 1.78 Crs in FY15. Tangible Net Worth increased to 33.06 Crs in FY16 from Rs. 23.44 Crs in FY15. Debt-Equity ratio of the company stood at 3.42 times in FY16.

### Rating Outlook

While capital expansion has already taken place and new unit with a capacity of 6 lakh litres per day came into operational in March 2016, the results are likely to be visible only in FY17. The outlook is expected to be stable over the current year. Going forward, the ability of the company to stabilize and improve capacity utilization of its new unit, increase profitability by higher scale of operations and reduce the gearing would be key monitorables.

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