



TDSL/CS/BSE/14/2020-21

Sept 08, 2020

**Corporate Relationship Department,**  
Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street,  
Mumbai- 400001

**Ref - Symbol: TDSL ;**

**Scrip Code- 540955,**

**ISIN: INE773Y01014**

**Subject: Brickwork Ratings for Bank Loan Facilities**

Dear Sir/ Madam,

**Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosures Requirement) Regulation, 2015.**

This is with reference to credit rating as received from **Brickwork Ratings** for Fund Based and Non fund based Bank Facilities.

Brickwork has assigned '**BWR BBB (Stable)**' rating on the Long-Term bank facilities and '**BWR A3+**' on Short Term bank facilities of Tasty Dairy Specialities Limited (TDSL). The link of the same is here for your reference.

<https://www.brickworkratings.com/Admin/PressRelease/Tasty-Dairy-Specialities-8Sep2020%20.pdf>

This is for your information and record.

Thanking you,

**Yours faithfully,**  
**For Tasty Dairy Specialities Limited**

**NISHI**  
**Company Secretary & Compliance Officer**  
**ACS-50043**

**Date : 08/09/2020**

**Place : Kanpur**



## RATING RATIONALE

8 Sept 2020

### Tasty Dairy Specialities Ltd.

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of Rs. 95 Crs of Tasty Dairy Specialities Ltd.**

#### Particulars

Facility	Amount Rated (Rs in Crs)	Tenure	Rating Assigned*
Fund Based	94.00	Long Term	<b>BWR BBB (Stable)</b>
Non fund Based	1.00	Short Term	<b>BWR A3+</b>
<b>Total</b>	<b>95.00</b>	<b>Ninety-Five Crore Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Detail of Bank facilities is provided in Annexure-I

#### RATING ACTION / OUTLOOK

Brickwork Ratings has assigned the Bank Loan ratings of BWR BBB/A3+ with a stable outlook.

Ratings favorably factors in the Tasty Dairy Specialities Limited (TDSL) operational track record of over two decades in the dairy industry, the reasonable brand recall in the regional markets, well established relationship with buyers and the improving scale of operations. . Further, the ratings take comfort from the company's above average debt protection metrics and healthy capital structure. The ratings have also taken into account the favourable industry dynamics for the organised dairy segment given consumer's preference towards hygienic packaged food especially amid the Covid-19 pandemic.

The rating, however, remains constrained by the company's small scale of operations and limited geographical diversification, the company's revenue till FY19 was concentrated towards bulk milk sales, with lesser contribution from value-added products. Nevertheless, BWR expects the contribution from the value-added products segment to improve going ahead. However, any improvement in the profitability margin on account of the same remains to be seen. The ratings also factor in the risks arising from vulnerability of milk production to agro-climatic and environmental factors.

The outlook of the Company is stable as it has a well-established brand name which will support market acceptance of its new products such as pouch milk, paneer going forward. BWR notes the stable demand for dairy products notwithstanding Covid-19 led disruption.

## KEY RATING DRIVERS

### Credit Strengths:

- **Established business:** - Promoters have been into the business since 1992 and have seen multiple business cycles. The company has been selling the products under various brand names such as Verifresh, Ujjwal, CIMA etc for different product categories. Over the years, the Company has developed a direct procurement model which enables TDSL control costs and quality at the same time. The company is an approved supplier for some of the large brands like ITC Ltd., Parle Products Pvt. Ltd, Mother Dairy Fruit & Vegetable Pvt. Ltd., Gujarat Co-operative Milk Marketing Federation Ltd etc.
- **Healthy capital structure with comfortable coverage indicators:** - TDSL maintained a healthy capital structure as indicated by gearing and TOL/TNW of 0.66x and 0.97x respectively as on FYE (Financial Year Ending) March 2020. The company also reported above average debt protection metrics marked by ISCR and DSCR of 2.65x and 1.34x. Going forward, gearing for the company is expected to peak at 1.12 times during FY21 which will gradually improve starting FY22.
- **Planned capex to alter the product mix:** - The Company is in process to enter other value-added products like paneer, cheese, whey protein etc. by the end of current fiscal FY21. Total cost of the expansion is estimated to be around Rs. 9 Crs which will be funded by Term Loan of Rs. 7 Crs and rest from promoter's contribution. With the recent increase in demand for products like Paneer, Cheese, the Company is expected to stand benefitted from the ongoing capex.

### Credit Risks:

- **Small Scale of operations:** - The company's scale of operations remained small at Rs. 403.16 Crs and is expected to decline marginally during FY21 on account of Covid – 19 impact on Q1FY21 numbers. Since the company has shelved the original plans to expand capacity, the overall scale is expected to be range bound in the coming 2-3 years period.
- **Low profitability; Improvement Likely:** - Even though there has been a shift in focus towards value added segment, liquid milk continued to be the major contributor to the topline during FY20. Liquid milk's contribution to the overall sales has come down sharply from 74% during FY19 to 59% during FY20 and is expected to come below 50% during FY21. Decline in margins during FY20 was on account of a one-off event where the company has to write off its debtors/security deposit of Rs. 2.65 Crs, excluding which, in normalized terms the company reported OPM (Operating Profit Margin) & NM (Net Margin) of 3.55% & 1.72% respectively during FY20 registering a marginal improvement from OPM & NM of 3.41% & 1.62% respectively during FY19. With the management's shift in focus toward higher value added products, profitability margins are expected to improve in the coming years.



- **High working capital-intensive nature of the business:** - Milk production during the lean period i.e from April till September is low and hence the Company has to maintain high inventory levels at the year end to meet the demand during the beginning of the next year. Since the company is expanding into products with longer shelf life, the company is expected to offer longer credit periods to drive sales which may further increase the working capital requirement for the Company.

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has applied its rating methodology as debited in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). BWR has taken normalised approach excluding the impact of one-time cost during the last fiscal

## **RATING SENSITIVITIES**

Going forward, the ability of the Company to complete the capex within the expected timeline and efficiently management the working capital cycle will be key rating sensitivities

**Positive:** The rating may be upgraded if the company reports sustained and significant revenue growth coupled with improvement in profitability margins while maintaining sound credit metrics. Favourable product mix and completion of the capex within the expected timelines will be a key monitorable.

**Negative:** The rating outlook may be downgraded if the company reports further decline in profitability margins and/or more than expected increase in working capital requirement which could stress the credit metrics and liquidity.

## **LIQUIDITY POSITION (Adequate)**

Cash accruals to fixed outlay has been over 2x continuously for the last three years and with the planned repayment, the same is expected to improve going ahead. The company doesn't have major long term debt. Fund based working capital utilization from Jan 2020 – Jun 2020 has been around 78%. Current ratio for the company stood at 1.87x during FY20.

## **COMPANY PROFILE**

Promoted by Mr. Atul Mehra, the Company was originally incorporated as a private limited company on 30th July, 1992 under the name Tasty Dairy Specialities Private Limited. Subsequently, it was converted into a public limited in 2004 and the name of the company was changed to "Tasty Dairy Specialities Limited ". The Company is listed in the SME segment on Bombay Stock Exchange.

The Company is currently involved in processing milk, along with bulk milk procurement and handling during which primarily caters to bulk institutional customers. Company is further involved in value added milk products like Skimmed Milk Powder, Butter, Ghee etc. which are packaged under the brand names "Ujjwal", "Shikhar", "Verifresh", "Cima", "Mithai Master". The Company markets the branded products in Uttar Pradesh, Madhya Pradesh and Bihar, and its



plant is located in Jainpur, Uttar Pradesh. The Company with the existing plant and machinery is capable of handling approximately 5,00,000 litres of raw milk per day.

**KEY FINANCIAL INDICATORS (in INR Cr)**

Key Parameters	Units	FY19	FY20
		Audited	Audited
Total Operating Income	Rs. in Crs	365.21	403.16
OPBDIT	Rs. in Crs	12.44	12.27
PAT	Rs. in Crs	5.95	4.20
Tangible Net Worth	Rs. in Crs	68.51	72.70
TOL/TNW	Times	0.66	0.97
Current Ratio	Times	2.21	1.87

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : NA**

**RATING HISTORY FOR LAST 3 YEARS (INCLUDING WITHDRAWN/SUSPENDED)**

Nature of Instrument	Facilities Availed	Current Rating (Sep 2020)			(Rs. Crores)		
		Tenure	Amount (In Crs)	Rating	2019	2018	2017
Bank Loan Facility	Fund Based	Long Term	94.00	BWR BBB (Stable)	-	-	-
	Non fund Based	Short Term	1.00	BWR A3+	-	-	-
	<b>Total</b>		<b>95.00</b>	<b>INR Ninety-Five Crores Only</b>			

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)
- [Short Term Debt](#)

Analytical Contacts	Investor and Media Relations
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**Tasty Dairy Specialities Ltd.**

**ANNEXURE I**  
**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Punjab National Bank	Cash Credit	44.00	-	44.00
2		Term Loan	1.35	-	1.35
3		BD	10.00	-	10.00
4		Bank Guarantee	-	1.00	1.00
5	Kotak Mahindra Bank	BD	8.00		8.00
6	Proposed	TL/CC	30.65		30.65
<b>TOTAL</b>					<b>95.00</b>

**INR Ninety-Five Crores Only**



**For print and digital media** The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

**About Brickwork Ratings** : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

**DISCLAIMER** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.