



**TDSL/ COMP-08 /2021-22**

**July 29, 2021**

**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 Downgrade**' rating on the Long-Term bank Fund based facilities and '**BWR A3 (Downgrade)**' on Short Term Non Fund Based bank facilities of Tasty Dairy Specialities Limited (TDSL). The link of the same is here for your reference.

<http://bcrisp.in//BLRHTML/HTMLDocument/ViewRatingRationaleReview?id=23480>

This is for your information and record.

Thanking you,

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

**NISHI**  
**Company Secretary & Compliance Officer**

**Date : 29/07/2021**

**Place : Kanpur**

**RATING RATIONALE**

26Jul2021

**Tasty Dairy Specialities Ltd.**

**Brickwork Ratings Downgrades the ratings for the Bank Loan Facilities of Rs. 95.00 Crs. of Tasty Dairy Specialities Ltd.**

**Particulars**

Facilities**	Amount (Rs.Crs.)		Tenure	Rating#	
	Previous	Present		Previous (08 Sep 2020)	Present
Fund Based	94.00	94.00	Long Term	BWR BBB (Stable) Assignment	BWR BBB - /Stable Downgrade
Non Fund Based	1.00	1.00	Short Term	BWR A3+ Assignment	BWR A3 Downgrade
<b>Grand Total</b>	<b>95.00</b>	<b>95.00</b>	<b>(Rupees Ninety Five Crores Only)</b>		

#Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) (<https://www.brickworkratings.com>) for definition of the ratings

\*\*Details of Bank Loan facilities,consolidation or instruments are provided in Annexure

**RATING ACTION / OUTLOOK**

Brickwork Ratings (BWR) downgrades the long-term rating to BWR BBB- and short-term rating to BWR A3 for the bank loan facilities of Tasty Dairy Specialities Ltd. (TDSL or the company).

The rating downgrades take into account deteriorated company performance in Q4FY21 resulting in negative PAT PAT of - 13.83 Crs, EBITDA loss of Rs -13.56 Crs on account of inventory written off of Rs 16.95 Crs and consequent weakening of credit profile. ISCR (interest service coverage ratio) and DSCR (debt service coverage ratio) of the company deteriorated to -2.67x and -0.91x in FY21 besides elongated conversion cycle and risk associated with the perishable nature of milk and its products. The rating is however supported by experienced promoters and established business, comfortable gearing and current ratio.

The outlook is Stable considering the essential nature of milk demand and its by-products.

Note : The present rating amount is considered as per initial rating as BWR does not have complete information and rating action/review is mainly on the basis of Q4 results of the company.

**KEY RATING DRIVERS****Credit Strengths:**

- Experience promoters and 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.

- **Comfortable gearing position :**

Gearing (Total Debt/Equity) of the company has deteriorated in FY21 to 1.00x from 0.66.x in FY20 due to decline in reserve & surplus but still comfortable.

- **Comfortable current ratio :**

Current ratio is comfortable at 1.62x in FY21 against 1.87x in FY20 indicates the company's ability to meet its current liabilities from its current assets.

### Credit Risks:

- **Declined top-line and bottom-line :**

The company's total operating income has declined from Rs 403.81 Crs in FY20 to Rs 328.01 Crs in FY21. profit after tax (PAT) of the company declined from Rs 4.2 Crs in FY20 to Rs -13.83 Crs in FY21 owing to inventory written off of Rs 16.95 Crs due to declined sales resulting in accumulated stocks which finally turned out not fit for human consumption ( perishable nature of products).

- **Deteriorated financial risk profile :**

Interest service coverage ratio(ISCR) and debt service coverage ratio (DSCR) is negative at -2.67x and -0.91x in FY21 on account of negative PAT. In addition to that net profit margins and operating profit margins are negative in FY21 due to negative PAT and EBIDTA of the company in FY21.

- **High working capital-intensive nature of the business :**

The conversion cycle of the company is stretched to 105 days in FY21 (86 days) on the account of elongated inventory of 70 days in FY21 (62 days in FY20).

- **Perishable nature of raw material and products :**

Raw material milk and its by-products are perishable in nature and have limited shelf life. In case of the elongated inventory holding period, company may suffer loss due to inventory written off as it happened in Q4FY21, where the company written off inventory of Rs Rs 16.94 Crs which resulted in deteriorated financial risk profile and liquidity of the company.

### RATING SENSITIVITIES

**Upward:** The outlook may be revised to Positive or the rating may be upgraded if there is a substantial improvement in the scale of operations of the company, improvement in profitability and liquidity of the company, besides other ratios like gearing and current ratio continue to be comfortable.

**Downward:** BWR may revise the ratings downwards if there is a further deterioration in the financial risk profile and liquidity of the company, or inability to recover from the current level.

### LIQUIDITY INDICATORS - Stretched

The company had cash accruals (profit after tax plus depreciation) of Rs -12 Crs in FY21 (5.85 Crs in FY20), simultaneously ISCR and DSCR of the company is negative because of negative cash accruals in FY21. The working capital utilization of the company is above 95%. Although, the company had cash & cash equivalent of Rs 1.80 Crs at the end of March 2021 but considering the other points liquidity is stretched.

### ABOUT THE ENTITY

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 approximaely 5,00,000 litres of raw milk per day.

### KEY FINANCIAL INDICATORS (Standalone)

Key Parameters	Units	FY 20-21 (Audited)	FY 19-20 (Audited)
Operating Revenue	Rs.Crs.	328.01	403.16
EBITDA	Rs.Crs.	-13.56	12.27
PAT	Rs.Crs.	-13.83	4.20
Tangible Net Worth	Rs.Crs.	58.62	72.70
Total Debt/Tangible Net Worth	Times	1.00	0.66
Current Ratio	Times	1.62	1.87

### RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawal and suspended)

Facilities	Current Rating (2021)			2021 (History)		2020		2019		2018	
Type	Tenure	Amount (Rs.Crs.)	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based	LT	94.00	BWR BBB-/Stable (Downgrade)	NA	NA	08Sep2020	BWR BBB (Stable) (Assignment)	NA	NA	NA	NA
Non Fund Based	ST	1.00	BWR A3 (Downgrade)	NA	NA	08Sep2020	BWR A3+ (Assignment)	NA	NA	NA	NA
<b>Grand Total</b>		95.00	<b>(Rupees Ninety Five Crores Only)</b>								

### COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) (<https://www.brickworkratings.com/download/ComplexityLevels.pdf>). Investors queries can be sent to [info@brickworkratings.com \(mailto:info@brickworkratings.com\)](mailto:info@brickworkratings.com).

### Hyperlink/Reference to applicable Criteria

- [General Criteria \(https://www.brickworkratings.com/download/Criteria-GeneralCriteria.pdf\)](https://www.brickworkratings.com/download/Criteria-GeneralCriteria.pdf)
- [Approach to Financial Ratios \(https://www.brickworkratings.com/download/Criteria-FinancialRatios.pdf\)](https://www.brickworkratings.com/download/Criteria-FinancialRatios.pdf)
- [Manufacturing Companies \(https://www.brickworkratings.com/download/Criteria\\_ManufacturingCompanies.pdf\)](https://www.brickworkratings.com/download/Criteria_ManufacturingCompanies.pdf)
- [Short Term Debt \(https://www.brickworkratings.com/download/Criteria-ShortTermDebt.pdf\)](https://www.brickworkratings.com/download/Criteria-ShortTermDebt.pdf)

### Analytical Contacts

**Analytical Contacts**

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<b>1-860-425-2742   <a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a> (<a href="mailto:media@brickworkratings.com">mailto:media@brickworkratings.com</a>)</b>	

**Tasty Dairy Specialities Ltd.****ANNEXURE-I****Details of Bank Facilities rated by BWR**

SL.No.	Name of the Bank/Lender	Type Of Facilities	Long Term(Rs.Crs.)	Short Term(Rs.Crs.)	Total(Rs.Crs.)
1	Kotak Mahindra Bank	Bill Discounted (BD)-Sanctioned	8.00	-	<b>8.00</b>
2	Punjab National Bank	Cash Credit-Sanctioned	44.00	-	<b>44.00</b>
3	Punjab National Bank	Term Loan-Sanctioned	1.35	-	<b>1.35</b>
4	Punjab National Bank	Bill Discounted (BD)-Sanctioned	10.00	-	<b>10.00</b>
5	Punjab National Bank	Bank Guarantee-Sanctioned	-	1.00	<b>1.00</b>
6	Un tied portion	Facilities FB (CC/TL/OD)-Proposed	30.65	-	<b>30.65</b>
<b>Total</b>			<b>94.00</b>	<b>1.00</b>	<b>95.00</b>
<b>TOTAL (Rupees Ninety Five Crores Only)</b>					

**Print and Digital Media**

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