March 28, 2025

Ideal Icecream Private Limited: Long-term rating reaffirmed and short-term rating assigned; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term – Fund Based – Term Loan	32.00	36.70	[ICRA]BBB (Stable); Reaffirmed / assigned for enhanced amount
Long Term – Fund Based – Cash Credit	15.00	20.00	[ICRA]BBB (Stable); Reaffirmed / assigned for enhanced amount
Short-term – Fund Based Overdraft	-	7.51	[ICRA]A3+; assigned
Long Term – Unallocated	5.00	0.79	[ICRA]BBB (Stable); Reaffirmed
Total	**52.00**	**65.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings action factors in the expected healthy improvement in Ideal Icecsream Private Limited's (IICPL) revenues and earnings on the back of strong demand, increase in installed capacity and expansion of the distribution network. While the company's revenue growth is likely to be muted in FY2025 owing to the impact of high rainfall on the demand during the peak season, expanding distribution network and anticipated heatwave, along with capacity expansion are expected to result in a healthy revenue growth in FY2026. The ratings also factor in the established brand and its expanding presence in the coastal Karnataka region, and the promoter's vast experience of more than two decades in the dairy products industry. The ratings further consider IICPL's strong marketing and dealer distribution network, which along with regular introduction of new products by IICPL has supported the company's revenues. The capital structure and debt coverage indicators of the company remain comfortable on the back of healthy earnings.

The ratings, however, are constrained by IICPL's moderate scale of operations and exposure of margins to volatility in raw material prices. Moreover, the Mangalore region generates most of its revenues (45-55%), resulting in high geographical concentration risks. However, the same has been mitigated, to an extent, given the company's efforts to expand its presence to the other regions of Karnataka.

The Stable outlook on the rating reflects ICRA's expectation that the company will ramp up its operations with the enhanced capacity in FY2026, leading to healthy revenue and improvement in its margins while maintaining its comfortable debt protection metrics.

Key rating drivers and their description

Credit strengths

Extensive experience and established brand presence – The company has over two decades of experience in ice cream manufacturing, which resulted in established relationships with customers and suppliers. The Ideal Group, consisting of Ideal Traders (distributes IIC's products in Mangalore), four exclusive ice cream parlours in Mangalore (Ideal's, Ideal Cream Parlour, Ideal Cafe, and Pabba's) and IIC, enjoys an established brand presence in Mangalore and its surrounding regions. The Group has won various prestigious national awards for its innovative products.

Strong distribution network – The company derives 84-88% of its revenues through its network of more than 35 distributors and over 2,000 retail dealers across Karnataka, South Goa and Kerala.

Comfortable financial profile – The company's financial profile has remained comfortable with a gearing of 0.9 times as on March 31, 2024, owing to low debt levels and moderate net worth. The debt coverage indicators have remained comfortable in FY2024 with an interest coverage of 8.1 times (6.0 times in FY2023), total debt/OPBDITA of 1.5 times (2.4 times in FY2023), and DSCR of 2.1 times (2.2 times in FY2023). The capital structure and debt coverage indicators are expected to improve, going forward, with scheduled repayment of debt and improved earnings.

Credit challenges

Moderate scale of operations despite healthy growth in revenues – The company's scale of operations remained modest with revenues of ~Rs. 120.0 crore in FY2024, despite recording a healthy growth of 29%, albeit on a modest base. ICRA expects the company to record a moderate revenue growth of 4-8% in FY2025 as heavy monsoons impacted demand during the peak season of the year. Forecast of heatwaves, expanding distribution network and increase in installed capacity are expected to result in healthy revenue growth in FY2026.

Susceptibility to raw material price volatility – The company's profit margins remain susceptible to volatility in raw material prices (mainly milk and milk powder). Nevertheless, ICRA notes that the company has maintained healthy profitability in the past. The company's operating margin improved to 30.6% in FY2024 from 26.0% in FY2023 on the back of lower raw material costs, driven by lower milk prices and advance procuring of SMP, cream and butter.

High geographical concentration risk, however, the entity has been expanding its geographical presence gradually to reduce concentration – The Mangalore region is the major contributor to the company's revenues ~50% while coastal Karnataka, South Goa and Kerala account for the rest, resulting in high geographical concentration risk. However, expansion to new markets in Karnataka has reduced its concentration in the Mangalore region in the past few years. The company has been adding new distributors for the Bangalore region consistently, which is expected to support its revenue growth from that market. Also, the company is planning to expand to Maharashtra and cover most of the regions in Karnataka.

Stiff competition in a highly fragmented industry limits pricing flexibility – The intensely competitive and fragmented nature of the industry with organised as well as unorganised players in the region limit IICPL's overall bargaining power and pricing flexibility. However, the company's established brand presence in Mangalore offers comfort to some extent.

Liquidity position: Adequate

The company's liquidity position is adequate with cash and bank balances of Rs. 4.7 crore and buffer of Rs. 16.0-17.0 crore against the drawing power, as of December 31, 2024. The company is expected to generate retained cash flows of Rs. 25.0-35.0 crore against repayment obligations of Rs. 9.0-11.0 crore for the next 12 months. The company is expected to incur capex of Rs. 16.0-20.0 crore in the next 12 months towards enhancing the installed capacity. The same would be funded through a mix of term debt, grant, and internal accruals. The company has a sanctioned term loan of Rs. 18.1 crore and is yet to draw the same as of February 28, 2025.

Rating sensitivities

Positive factors – ICRA could upgrade IICPL's ratings if a healthy ramp-up of operations leads to a significant increase in revenue and earnings, improving its cash flow position.

Negative factors – Pressure on the ratings could arise if a decline in the scale of operations due to weak demand or lower profitability impacts its debt metrics, or any increase in the working capital intensity or sizeable dividend payout weakens its liquidity position. A specific credit metric that could lead to ratings downgrade includes DSCR of less than 1.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company's standalone financial profile

About the company

The Ideal Icecream Group, established in 1975, was promoted by Mr. S. Prabhakar Kamath with a single ice cream parlour (named Ideal Ice Cream Parlour) in Mangalore, Karnataka. A part of the Ideal Ice Cream Group, Ideal Ice Cream (IIC) was started as a sole proprietorship concern in 2003 by Mr. Mukund Kamath, son of Mr. S. Prabhakar Kamath, for backward integration into large-scale ice cream manufacturing. It has been converted into a private limited company, IICPL, in April 2024. The company's manufacturing facility is in Mangalore with an installed production capacity of ~100 KLPD of ice creams, bars and candies.

Key financial indicators (audited)

IICPL (Standalone)	FY2023	FY2024
Operating income	93.8	120.3
PAT	9.2	15.0
OPBDIT/OI (%)	26.0%	30.6%
PAT/OI (%)	9.8%	12.5%
Total outside liabilities/Tangible net worth (times)	1.0	1.0
Total debt/OPBDIT (times)	2.4	1.5
Interest coverage (times)	6.0	8.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2025)					Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Mar 28,2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Short term-overdraft-fund based	Short Term	7.51	[ICRA]A3+	-	-	-	-	-	-	-	-
Long term-unallocated - unallocated	Long Term	0.79	[ICRA]BBB (Stable)	-	-	21-MAR-2024	[ICRA]BBB (Stable)	05-APR-2022	[ICRA]BBB (Stable)	-	-
Long term-cash credit-fund based	Long Term	20.00	[ICRA]BBB (Stable)	-	-	06-APR-2023	[ICRA]BBB (Stable)	05-APR-2022	[ICRA]BBB (Stable)	21-JUL-2021	[ICRA]BBB (Stable)
				-	-	21-MAR-2024	[ICRA]BBB (Stable)	15-MAR-2023	[ICRA]BBB (Stable)	-	-
Long term-term loan-fund based	Long Term	36.70	[ICRA]BBB (Stable)	-	-	06-APR-2023	[ICRA]BBB (Stable)	05-APR-2022	[ICRA]BBB (Stable)	21-JUL-2021	[ICRA]BBB (Stable)
				-	-	21-MAR-2024	[ICRA]BBB (Stable)	15-MAR-2023	[ICRA]BBB (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Short Term-Overdraft-Fund Based	**Very Simple**
Long Term-Unallocated-Unallocated	**NA**
Long Term-Cash Credit-Fund Based	**Simple**
Long Term-Term Loan-Fund Based	**Simple**

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	**Cash Credit**	-	-	-	20.00	[ICRA]BBB(Stable)
NA	**Term Loan**	May 2021	-	March 2033	36.70	[ICRA]BBB(Stable)
NA	**Long-term Unallocated Limits**	-	-	-	0.79	[ICRA]BBB(Stable)
NA	**Short-term – Fund Based Overdraft**				7.51	[ICRA]A3+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis: Not applicable

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