Ankita Agro And Food Processing Private Limited

May 04, 2021

Ratings

Facilities/Instruments	**Amount (Rs. crore)**	**Ratings**	**Rating Action**
Long Term Bank Facilities	8.55 (Enhanced from 7.86)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE B-; Stable; (Single B Minus; Outlook: Stable)
Short Term Bank Facilities	5.00	CARE A3 (A Three)	Assigned
Short Term Bank Facilities	20.00 (Enhanced from 3.75)	CARE A3 (A Three)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE A4; (A Four)
Total Bank Facilities	**33.55 (Rs. Thirty-Three Crore and Fifty-Five Lakhs Only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Ankita Agro And Food Processing Private Limited (AAFPL) is on account of benefits accrued on account of change in its management following acquisition of its majority stake by Haldiram Snacks Private Limited (HSPL) which has resulted in turnaround in its operations and financials in 11MFY21. The ratings, further, continue to derive strength from its established customer base.

The ratings, however, continue to remain constrained on account of its modest scale of operations with continuous net loss, weak solvency position and debt coverage indicators. The ratings, further, continue to remain constrained on account of susceptibility of profitability to fluctuations in raw material prices and presence in a competitive and fragmented industry.

Rating Sensitivities

Positive Factor- Factors that could lead to positive rating action/upgrade:

- Significant growth in its scale of operations with registration of operating profit and net profit.

Negative Factor- Factors that could lead to negative rating action/downgrade:

- Any large sized debt funded capex which may lead to deterioration in its capital structure.
- Dilution in Haldiram Group's stake in AAFPL to below 50% or significant deterioration in the credit profile of Haldiram Group.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced and resourceful promoter group along with strong parentage

In February 2020, HSPL has taken over 76% stake in AAFPL from the existing promoters with an objective to enter into growing market of oats. HSPL was incorporated in 1983 and is part of the Haldiram Delhi group, and manufactures sweets, namkeen, extruded snacks, frozen food, dairy, and syrups under the Haldiram brand. It started out as a namkeen company, and over the years, has diversified into other product categories. The product profile of HSPL is diversified, comprising savoury snacks, sweets, frozen foods, spices, ready-to-eat, and baked items which are marketed across almost all states in northern and eastern India and in more than 80 countries. It has manufacturing facilities in sectors 63, 68, 65, and 67 in Noida (Uttar Pradesh); Gurugram, Haryana; and Rudrapur, Uttarakhand. It also has 65 outlets (owned and leased) in North India. Further, during FY21, another company i.e. Solarworld Energy Solutions Private Limited (SESPL) has purchased remaining stake from existing promoters. With takeover by HSPL, AAFPL gets the benefit in the form of financial support from resourceful promoters group, experienced management with access to HSPL's established marketing network and procurement of raw material at relatively lower cost. During FY20, HSPL has infused equity share capital including share premium of Rs.11.82 crore and unsecured loans of Rs.12.61 crore. Further, directors has also infused unsecured loans of Rs.5.99 crore during FY20. In current financial year, in 11MFY21, the company has met around 24.48% of raw material requirement from HSPL. Following acquisition of stake by HSPL, the company has been able to turnaround its operations by reporting improved financial performance in 11MFY21.

Reputed customer base
The company is engaged in the business of processing of raw oats into oat flakes. The company was engaged into private labeling as well as sells its product under its own brand name of "Vitmorn". However, following takeover by HSPL, it has discontinued selling products under its brand name. Further, the customers of the company are reputed players which include Marico Limited, Patanjali Ayurved Limited, Hindustan Unilever Limited and Kayem Food Industries Private Limited and has derived 79.48% of net sales from them in 11MFY21.

Key rating Weakness
Modest scale of operations with continuous net loss and weak solvency position and debt coverage indicators
During FY20, TOI of the company stood modest at Rs.42.85 crore, increased by 18.92% over FY19 mainly on account of increase in sale of plain oats. The sale from plain oats contributed 85.05% of TOI in FY20 (70.31% of TOI in FY19) and remaining from masala oats, atta oats and other products like cornflakes and chocos.
Despite increase in scale of operations, during FY20, the company has registered operating loss of Rs.0.98 crore as against operating profit of Rs.3.31 crore owing to higher raw material and employee cost. Further, the company has registered continuous net loss in last three financial years ended FY20. During FY20, the loss of the company has increased from Rs.0.56 crore in FY19 to Rs.4.85 crore in FY20 owing to operating loss and high interest expenses. Due to this, the company has reported cash loss in FY20 as against cash profit of Rs.1.31 crore in FY19.
Further, due to continuous net-loss, the net-worth base of the company eroded and stood negative as on March 31, 2020. Due to negative net-worth as well as operating loss and net loss, the solvency position of the company stood weak. Further, due to operating losses and cash losses incurred in FY20, the debt coverage indicators of the company remained weak.
However, during 11MFY21, AAFPL has generated TOI of Rs.68.37 crore along with PBILDT and PBT of Rs.5.26 crore (PBILDT margin of 7.69%) and Rs.1.91 crore respectively after strategic investment by HSPL. Further, due to improved operating profitability, the company reported interest coverage of 2.86 times in 11MFY21.

Susceptibility of operating margin to volatile agro-based raw material prices
The raw material procured by AGFPL primarily consists of agro commodity, edible oil and spices. The company does not have any long-term contracts with its suppliers and it enters into one-time transaction with each of its supplier based on the price and quality negotiation which exposes the company to risk in raw material price fluctuation. However, the said risk gets mitigated to some extent as around 24.48% of its raw material requirement was met through HSPL.

Presence in a competitive and fragmented industry
The industry is highly fragmented with presence of several regional players apart from few large players. Over the years, many small regional players have mushroomed across the country which has added to competitive intensity of the industry. The business is also susceptible to changing preferences of consumers etc.

Impact of COVID-19
In view of the national lockdown imposed by the government to contain the spread of virus, the plant operations of the company were closed from March 20, 2020. The plant operations of the company resumed from April 15, 2020 after obtaining permission from appropriate government authorities.
Further, during 11MFY21, AAFPL has generated TOI of Rs.68.37 crore along with PBILDT and PBT of Rs.5.26 crore and Rs.1.91 crore.

Liquidity: Adequate
The liquidity of the company stood adequate on account of continuous financial support provided by its promoter group despite reporting of below unity current ratio and quick ratio of 0.76 times and 0.41 times respectively as on March 31, 2020 and negative cash flow from operating activities in FY20. It has utilized 70% working capital bank borrowing in last five months ended February 2021. Further, the working capital cycle of the company stood comfortable at 14 days in FY20. The company maintains inventory of around 55-60 days and gets the payment from customers in around 25-30 days time. It makes the payment to its suppliers within 70-75 days. Further, it has cash and bank balance of Rs.1.22 crore as on March 31, 2020.
Further the company has shifted its bank facilities from Canara Bank to ICICI Bank in August 2020. It has not availed moratorium provided by RBI nor any additional funding under COVID-19 relief measures from earlier bank as informed by the management.

Analytical approach: Standalone while factoring in parentage and support provided by HSPL.
Applicable Criteria
Criteria on assigning Outlook and credit watch to Credit Ratings
CARE's Policy on Default Recognition

[Rating Methodology: Factoring Linkages in Ratings Parent Sub JV Group](#)
[Criteria for Short Term Instruments](#)
[CARE's methodology for manufacturing companies](#)
[Financial ratios – Non-Financial Sector](#)
[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company
New Delhi based Ankita Agro and Food Processing Private Limited (AAFPL) was incorporated in 2005 by Mr. Rajesh Kumar Jain along with his wife Mrs Preeti Jain and operations was started from 2013. Subsequently, in February 2020, HSPL has taken over 76% stake in the company from existing promoters. Further during FY21, SESPL has purchased remaining stake from existing promoters.
AAFPL is mainly engaged in the business of processing of raw oats into oat flakes. The manufacturing unit of the company is located at Neemrana, Rajasthan, with total installed capacity of 1200 Tons Per Annum.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	36.03	42.85
PBILDT	3.31	-0.98
PAT	-0.56	-4.85
Overall gearing (times)	-2.51	-6.63
Interest coverage (times)	1.65	-0.48

A: Audited

As per provisional results for 11MFY21, it has generated TOI of Rs.68.37 crore along with PBILDT and PBT of Rs.5.26 crore and Rs.1.91 crore respectively.

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information and has classified ratings of AAFPL in "Issuer Not cooperating" category vide its press release dated December 10, 2020.

Any other information: None

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	August 2021	0.55	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	8.00	CARE BBB-; Stable
Non-fund-based - ST-ILC/FLC	-	-	-	20.00	CARE A3
Non-fund-based - ST-Forward Contract	-	-	-	5.00	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	0.55	CARE BBB-; Stable	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (15-Jan-21)	1)CARE B; Stable (11-Nov-19) 2)CARE B-; Stable; ISSUER NOT COOPERATING* (05-Jun-19)	1)CARE B-; Stable (02-Jan-19)
2.	Fund-based - LT-Cash Credit	LT	8.00	CARE BBB-; Stable	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (15-Jan-21)	1)CARE B; Stable (11-Nov-19) 2)CARE B-; Stable; ISSUER NOT COOPERATING* (05-Jun-19)	1)CARE B-; Stable (02-Jan-19)
3.	Non-fund-based - ST-ILC/FLC	ST	20.00	CARE A3	-	1)CARE A4; ISSUER NOT COOPERATING* (15-Jan-21)	1)CARE A4 (11-Nov-19) 2)CARE A4; ISSUER NOT COOPERATING* (05-Jun-19)	1)CARE A4 (02-Jan-19)
4.	Non-fund-based - ST-Forward Contract	ST	5.00	CARE A3	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-N/A

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-Forward Contract	Simple
4.	Non-fund-based - ST-ILC/FLC	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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