

Anjani Foods Limited

June 08, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.21	CARE BB+ (CWD) (Double B Plus) (Under Credit watch with Developing Implications)	Placed on Credit watch with Developing Implications
Total Bank Facilities	5.21 (Rs. Five Crore and Twenty-One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has placed the ratings of Anjani Foods Limited (AFL) on 'Credit watch with developing implications' following the announcement of acquisition of equity shares of Senta Foodwork Private Limited aggregating to 51% of the total equity share capital. AFL and Quennelle 36 Foodworks Private Limited (balance 49% held by Quennelle) formed a Joint venture to engage in the business of bakery products by taking benefit of their respective knowledge, skills, and experience for the purpose of carrying out the business.

CARE is trying to reach out to management to understand the impact of event and outcome of the acquisition. CARE will remove the rating from watch and take a final rating action once it has clarity on the impact of the same on business and financial profile of AFL.

The ratings assigned to the bank facilities of Anjani Foods Limited (AFL) continue to be constrained by small scale of operations, presence in highly fragmented industry amidst intense competition, margins susceptible to raw material price fluctuations. CARE also considered recently published results for FY22 [FY refers to period starting from April to March]. Nevertheless, the ratings derive comfort from experienced and resourceful promoters, consistent growth in total operating income and profitability margins during FY20-FY22 [FY refers to period starting from April to March] along with comfortable leverage and debt coverage indicators.

Rating Sensitivities

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

- TOI improving by 20% or more y-o-y while maintaining sustainable PBILDT margins above 6%
- Total debt to PBILDT improving to less than 1x, on a sustained basis

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

- Overall gearing deteriorating to above 1.0x, in future
- Significant decline in TOI or profits by more than 20% y-o-y

Detailed description of the key rating drivers

Key Rating Weakness

Small scale of operations: Despite more than two decades of presence in the industry, the company remains a small sized entity marked by a total operating income (TOI) of Rs. 35.04 crore in FY22 and a low net worth base of Rs.10.90 crore as on March 31, 2022. Though the company reported increase in TOI in FY22, PAT declined significantly to Rs.0.15 crore as against PAT of Rs.3.01 crore reported in FY21. AFL had installed an additional capacity in the existing plant to cater to the needs of increasing demand. The trail run was completed in January 2022 and commercial operations were subsequently started in Q4FY22. Hence, on account of expenses incurred for the additional capacity, PAT achieved is on a lower side compared to previous year.

Presence in highly fragmented industry amidst intense competition: Presence in highly fragmented industry amidst intense competition: As entry and exit barriers in construction industry are low, the industry has many organized as well as unorganized players and is therefore, highly fragmented, and intensely competitive.

Margins susceptible to raw material prices fluctuations: The major raw materials for manufacturing confectionaries are sugar, oil and flour. The company is exposed to price fluctuations as the supply of such agro commodities are exposed to vagaries of nature. Moreover, the prices of these commodities are dependent upon various factors including climatic conditions in the growing regions, substitutes for the crop (for farmers), government regulations for sugar pricing, as well as alternate demand drivers, this impacts the profitability margin which already are on a lower side. Furthermore, cookies and cakes being perishable in nature and having life span of 6 months to 12 months from the date of manufacturing, hence requiring better and quicker selling ability.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Strengths

Experienced and resourceful promoters: Anjani Foods Limited (AFL) has been promoted by Mr. K V Vishnu Raj and Mr. R. Ravichandran. Mr. K V Vishnu Raj (Chairman) is a postgraduate by qualification and having more than three decades experience in different business such as educational sector, tiles, food etc. and Mr. R. Ravi Chandran (whole time director and Chief Executive officer) is a postgraduate by qualification and having more than two decades of industry experience. By virtue of long presence in the market, the promoters have established healthy relationship with suppliers and customers. Recently in the year 2020, Mr. K. Aditya Vissam son of Mr. K V Vishnu Raj has joined as a Managing Director of Anjani Foods Limited, is a postgraduate by qualification and having more than a decade of industry experience. Furthermore, the company has hired qualified and experience professionals from food retail giants like McDonald, ITC etc., at top executive level to provide professional guidance.

Comfortable capital structure and debt coverage indicators: Capital structure of the company has remained comfortable marked by overall gearing ratio of the company stood at 0.62x as on March 31, 2022. The debt structure consists of term loans availed for machinery, working capital borrowings and unsecured loans. The company also availed COVID GECL loan of Rs 0.60 crore in FY21. The PBILDT interest coverage ratio improved from 5.47x during FY21 to 6.40x in FY22. However, other debt coverage indicator total debt to GCA deteriorated significantly as of March 31, 2022 to about 6.40x when compared to 1.72x as of March 31, 2021 led by decline in GCA.

Liquidity: Adequate

Adequate liquidity characterized by sufficient accruals of Rs.1.18 crore vis-à-vis repayments obligation of Rs.0.96 crore in FY22. Liquidity is supported by a above unity current ratio and positive cash flows from operations as on March 31, 2022. The average working capital utilization is around 95%, although the working capital limits availed by the company are low.

Analytical approach: Standalone, factoring linkages with promoter group viz. Anjani Vishnu group.

Applicable Criteria

[Policy on Default Recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

About the Company

Andhra Pradesh based, Anjani Foods Limited (AFL) is a public limited company listed on BSE. The company is engaged in the business of manufacturing, distribution and trading of confectionery products. The company has its own manufacturing units located in Andhra Pradesh having an installed capacity of 6100 tons per year. The products of AFL are sold under the brand "Fresh Choice's". AFL is a part of well known, Andhra based, Anjani Vishnu group, the group has its presence across varied sectors like education, tiles and security printing.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (Prov.)
Total operating income	27.54	29.10	34.63
PBILDT	1.30	2.31	1.74
PAT	0.48	3.01	0.15
Overall gearing (times)	0.50	0.58	0.62
Interest coverage (times)	3.16	5.47	6.40

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	1.80	CARE BB+ (CWD)
Fund-based - LT-Term Loan		-	-	September 2025	3.41	CARE BB+ (CWD)

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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	1.80	CARE BB+ (CWD)	-	1)CARE BB+; Positive (09-Aug-21)	1)CARE BB+; Stable (13-May-20)	-
2	Fund-based - LT-Term Loan	LT	3.41	CARE BB+ (CWD)	-	1)CARE BB+; Positive (09-Aug-21)	1)CARE BB+; Stable (13-May-20)	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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