Ankita Agro And Food Processing Private Limited

April 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	9.00	CARE BBB+; Stable	Revised from CARE BBB-; Stable
Long Term / Short Term Bank Facilities	36.00	CARE BBB+; Stable / CARE A2	Revised from CARE BBB-; Stable / CARE A3
Short Term Bank Facilities	32.00	CARE A2	Revised from CARE A3

Details of instruments/facilities in Annexure-1.

Rationale and 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 improvement in scale of operations as well as profitability during FY23 (Audited, refers to period April 2022 to March 2023) and 9MFY24 (Provisional, refers to period April 2023 to December 2023) along with improvement in capital structure and debt coverage indicators. The ratings further, continue to derive strength from its strong parentage being a subsidiary of Haldiram Snacks Private Limited (HSPL), reputed customer base and adequate liquidity.

The ratings, however, continue to remain constrained on account of its small net worth base, susceptibility of its profitability to fluctuations in raw material prices and presence in a competitive and fragmented food processing industry.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Growth in its scale of operations with total operating income (TOI) of over Rs.200 crore while maintaining moderate profitability
- Improvement in capital structure with overall gearing below unity on sustained basis

Negative factors

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

Analytical approach: Standalone, while factoring in parentage and support provided by HSPL.

AAFPL is a 76% subsidiary of HSPL operating in similar line of business and HSPL has been extending need-based support to AAFPL.

Outlook: Stable

The outlook on the long-term ratings of AAFPL is "Stable" considering the stable demand of oats and company having established relations with reputed customer base that would enable company to sustain its moderate profitability over the medium term.

Detailed description of the key rating drivers:

Key strengths

Strong parentage of HSPL

HSPL holds over 76% stake in AAFPL while rest 24% stake acquired by Solarworld Energy Solutions Private Limited (SESPL) which they have acquired from its former promoters in FY20 and FY21 respectively. 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. AAFPL gets the benefit in the form of financial support from such resourceful promoter group, experienced management with access to HSPL's established marketing network and procurement of raw material at relatively lower cost. Post-acquisition, HSPL has infused equity share capital worth Rs.11.82 crore and unsecured loans (USL) of Rs.18.86 crore as on March 31, 2021, to support AAFPL's operations. However, gradually over past 3 years, USL is reduced to Rs.0.12 crore as on December 31, 2023, with stabilization of operations of AAFPL.

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

Growth in scale of operations during FY23 and 9MFY24 albeit remained moderate

During FY23, TOI of the company increased by 31.21% to Rs.98.44 crore from Rs.75.01 crore in FY22 mainly on account of increased sales of plain oats. Although scale of operations continued to remain moderate in overall snacks industry as company operates in a single segment of 'oats and majority of sales are in form of private labels for third parties. In 9MFY24, AAFPL has achieved TOI of Rs.99.77 crore.

Moderate profitability

Post-acquisition by HSPL and change in management, company had reported profit at PAT level from FY21 onwards. In FY23, PBILDT margin remained in line with previous year at 11.87% [PY: 11.73% in FY22]. However, PAT margin of the company increased by 76 bps and remained at 6.46% in FY23 [PY:5.70%] due to decrease in interest costs during FY23. In 9MFY24, PBILDT margin and PAT margin increased to 13.39% and 8.41% respectively with reduced interest costs and procurement costs of raw materials.

Improved capital structure and debt coverage indicators albeit low networth base

Tangible net worth base of the company although improved, remained low at Rs.10.43 crore as on March 31, 2023 [PY: Rs.4.09 crore] on the back of accretion of profits into reserves, resulting in improved capital structure over the previous year. Overall gearing improved and remained moderate at 2.09 times as on March 31, 2023 [PY: 5.46 times]. Further, with stable profitability and reduced interest costs, debt coverage indicators also improved marked by interest coverage ratio of 8.10 times [PY: 5.19 times] and total debt / GCA of 2.39 times [PY: 3.10 times] for the year ended on March 31, 2023. AAFPL's overall gearing further improved to 0.72 times as on December 31, 2023, on account of reduction in USL and lower utilization of working capital borrowings as on balance sheet date. The interest coverage improved to 21.76 times and TDGCA to 1.05 times during 9MFY24.

Reputed customer base

The company is engaged in the business of processing of raw oats into oat flakes. The company is engaged into private labelling as well as sells its product under its own brand name of "Vitmorn". Moreover, the customers of the company include Marico Ltd., Ruchi Soya Industries Ltd., and Patanjali Ayurved Ltd. etc.

Key weaknesses

Susceptibility of profitability to volatile agro-based raw material prices

The raw material procured by AAFPL primarily consists of agro commodity. The company enters into yearly contracts for nearly 70% of its oats requirement to hedge against raw material volatility as it is mainly imported from Australia, Chile and Lithuania and it also have yearly contracts with some of its customers. However, for balance it is exposed volatility in prices which can impact its profitability.

Presence in a competitive and fragmented food processing industry

The food processing 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.

Liquidity: Adequate

The liquidity position of AAFPL remained adequate with moderate operating cycle, comfortable liquidity ratios and low utilization of fund based working capital limits. The company does not have any long-term debt repayments and is expected to generate moderate GCA of Rs.11-12 crore in near term. Further, liquidity ratios remained comfortable marked by current ratio of 1.52 times as on March 31, 2023. However, CFO of the company negative at Rs.5.76 crore mainly on account of increase in inventory as envisaged, to ensure the availability of raw material and increased receivables in line with increased scale of operations during FY23. This led to decrease in unencumbered cash and bank balance from Rs.4.58 crore as on March 31, 2022, to Rs.0.04 crore as on March 31, 2023.

Average and maximum utilization of fund-based working capital limit utilization remained low at ~1% and ~31% in trailing twelve months ended January 2024. Operating cycle of the company elongated over the previous year on the back of higher inventory period as against marginally lower creditors, though it continued to remain at moderate level of 39 days in FY23.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Factoring Linkages Parent Sub JV Group

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Other Food Products

New Delhi based AAFPL (CIN: U15138DL2005PTC132248) was incorporated in 2005 by Mr. Rajesh Kumar Jain along with his wife Mrs Preeti Jain. Its operations was started from 2013. Subsequently, in February 2020, HSPL has taken over the company from existing promoters by acquiring 76% stake with an objective to enter into growing market of oats. Further during FY21, another company SESPL has purchased balance 24% stake from Mr. Rajesh Kumar Jain and Ms. Preeti Jain of the company. AAFPL is 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 1400 Metric Tons Per Month (MTPM) as on March 31, 2023.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	75.02	98.44	99.77
PBILDT	8.80	11.69	13.36
PAT	4.27	6.36	8.39
Overall gearing (times)	5.46	2.09	0.72
Interest coverage (times)	5.19	8.10	21.76

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information under "Issuer Not cooperating" category vide its press release dated April 20, 2023.
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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	9.00	CARE BBB+; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	36.00	CARE BBB+; Stable / CARE A2
Non-fund-based - ST-Forward Contract		-	-	-	5.00	CARE A2
Non-fund-based - ST-ILC/FLC		-	-	-	27.00	CARE A2

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (27-Jun-22)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (31-Mar-22) 2)CARE BBB-; Stable (04-May-21)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (15-Jan-21)
2	Fund-based - LT-Cash Credit	LT	9.00	CARE BBB+; Stable	1)CARE BBB-; Stable (04-Apr-23)	1)CARE BBB-; Stable (06-Mar-23) 2)CARE BBB-; Stable (27-Jun-22)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (31-Mar-22) 2)CARE BBB-; Stable (04-May-21)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (15-Jan-21)
3	Non-fund-based - ST-ILC/FLC	ST	27.00	CARE A2	1)CARE A3 (04-Apr-23)	1)CARE A3 (06-Mar-23) 2)CARE A3 (27-Jun-22)	1)CARE A4+; ISSUER NOT COOPERATING* (31-Mar-22) 2)CARE A3 (04-May-21)	1)CARE A4; ISSUER NOT COOPERATING* (15-Jan-21)
4	Non-fund-based - ST-Forward Contract	ST	5.00	CARE A2	1)CARE A3 (04-Apr-23)	1)CARE A3 (06-Mar-23) 2)CARE A3 (27-Jun-22)	1)CARE A4+; ISSUER NOT COOPERATING* (31-Mar-22) 2)CARE A3 (04-May-21)	-
5	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	36.00	CARE BBB+; Stable / CARE A2	1)CARE BBB-; Stable / CARE A3 (04-Apr-23)	-	-	-

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings 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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About us:

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