

Anjani Foods Limited (Revised)

October 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	10.21	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the rating assigned to the bank facilities of Anjani Foods Limited (AFL) continue to be constrained due to moderate financial risk profile and working capital intensive nature of operations, profitability susceptible to raw material price fluctuations, and intense competition in confectionary industry. The ratings, however, derive comfort from experienced and resourceful promoters, consistent growth in scale of operation and profitability in FY24 [FY refers to period starting from April to March], established regional presence of brand "Fresh Choice", satisfactory operating cycle, favourable plant location and stable industry outlook. The rating also takes into account the addition of new retail outlets in Andhra Pradesh, which will enhance its capacity and contribute to its overall income in the future.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- TOI increasing to more than Rs 100 crore while maintaining PBILDT margins at 8% on a sustained basis.
- TOL/ TNW improving to less than 1.2x

Negative factors

- Overall gearing deteriorating to above 1x, in future
- Significant decline in TOI or profits by more than 10% y-o-y

Analytical approach: Consolidated

AFL has formed a Joint venture (JV) namely Senta Foodwork Private Limited where AFL has bought equity shares aggregating to 51% of the total equity share capital and balance 49% held by Quennelle 36 Foodworks Private Limited.

Outlook: Stable

The 'Stable' outlook reflects CARE Rating's expectation to sustain its financial risk profile and improve profitability with healthy cash flow generation from operations. Sufficient cash balances and low term debt repayment obligations shall aid the liquidity profile of AFL.

Detailed description of key rating drivers:

Key weaknesses

Moderate financial risk profile and working capital intensive operations: The moderate financial risk profile of the company is characterised by low net worth base of Rs 12.16 crore as on March 31, 2024. The debt levels are relatively lower with overall gearing at 0.74x as on March 31, 2024 (PY: 0.80X as on March 31, 2023). The working capital utilisation for its fund-based facilities for the past 12 months ended June 2024 remains almost fully utilized, however, given the scale of operations, the working capital limits are relatively low. The other debt coverage indicators marked by PBILDT/ interest coverage has improved to 5.41x in FY24 compared to 4.95x in FY23. The Total Debt/GCA has also improved to 1.88x as on March 31, 2024.

Profitability susceptible to raw material price 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, require more effort in selling the product before its expiry as the liability of the expired products rests with the company. Additionally, the company mostly procures raw material from the local traders, however, if the market is favourable, the company will enter into long term contracts with the vendors. The tenure of these contracts varies depending upon the favorable prices of the raw material.

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

Intense competition in confectionary industry: AFL faces competition from larger established companies like Britannia, Parle, ITC, and other regional brands. Most of these players have a large scale of operations, a pan-India presence and strong brand positioning. Apart from these, as entry and exit barriers in confectionery industry are low large local and regional players have also mushroomed across the country which has added to competitive intensity in the industry. Hence, the biggest challenge for the industry players would be retaining and growing not only their regional presence, but also strategize to become a regional level player by maintaining quality standards.

Key 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.

Consistent growth in scale of operation and profitability in FY24: Over a period of three years AFL has witnessed a significant growth with a CAGR of ~21%. In FY24, the company registered a growth of 5.59% to Rs 51.59 crore as compared to Rs 48.86 crore in FY23. The consistent growth in the revenue is driven by increasing per capita consumption due changing lifestyles, growing urbanization, and steadily rising affluence levels. The company is also rapidly expanding its retail outlet business. The company has recently opened three new outlets in Seethamma Dhara, Mithilapuri, & Githam college, Vizag on August 7, 2024. In Q1FY25, the company has achieved a revenue of Rs 13.14 crore which is 25.47% of the total revenue for FY24. The company is expected to continue expanding its outlets, which would increase its operational capacity, and, in turn, help increase its revenue in the future.

The profitability of the company is improving consistently on account of growing revenues and increasing efficiency. Profitability in absolute terms marked by PBILDT and PAT stood at Rs 4.23 crore and Rs 1.23 crore in FY24. The PBILDT margin of the company has improved by 106 bps to 8.31% in FY24 as compared to 7.15% in FY23. The PAT margin has improved by 64 bps to 2.38% in FY24 as compared to 1.74% in FY23.

Established regional presence of brand "Fresh Choice": The brand Fresh Choice is an established brand in the cake segment in rural and towns of Andhra Pradesh region. AFL manufactures different varieties of cookies, cakes and breads. The company is also expanding its operation in more cities with its third manufacturing unit commencing operation in current financial year.

Satisfactory operating cycle: AFL's operating cycle stands satisfactory with better working capital management. The company manufactures different varieties of cookies, cakes and breads. The average collection period stood at 10 days which is better than its competitors. The operating cycle of the company has improved to 11 days in FY24 as compared to 20 days in FY23 on account of improvement in inventory levels which dropped by 19% in FY24 compared to FY23. With established relationship with its suppliers, AFL is able to get a credit period of 2 months. The working capital utilisation for its fund-based facilities for the past 12 months ended June 2024 remains high at 99.94%.

Favourable plant location: The manufacturing units of the company is strategically located in Modavalasa village near Visakhapatnam with which provides logistical advantage to the company. AFL procures most of its raw material like maida, sugar and atta from local farmers/processors located in and around the unit. Considering the growing demand for AFL's products and scale of business, and for the ease of trade, company has set up a new production facility in Peddapuram with state-of-the-art machinery with Japanese Technology which will help increase production and further provide logistical advantage for sale in East Godavari which is a great untapped market for AFL.

Stable industry outlook: The market size of food processing sector in India is estimated to reach US\$ 1,274 billion in 2027 from US\$ 866 billion in 2022, backed by changing lifestyle and food habits due to rising disposable income and urbanization. The food processing sector has grown substantially, averaging an annual growth rate of around 7.3%, during 2015-2022. The sector has contributed 10.54% of the gross value added (GVA) in Manufacturing and 11.57% of GVA in Agriculture sector in 2020-21. The Ministry of Food Processing Industries (MoFPI) has implemented schemes like Pradhan Mantri Kisan SAMPADA Yojana (PMKSY), PM Formalisation of Micro food processing Enterprises (PMFME) Scheme and Production Linked Incentive Scheme for Food Processing Industry (PLISFPI) offering financial, technical, and business aids to establish food processing enterprises. The long-term demand outlook is favourable on the expectations of growing population and changing consumer preferences, driven by factors such as western food trends, growing urbanisation, steadily rising affluence levels resulting in increased consumption of bakery items and RTE food, and expanding retail and e-commerce sectors, are fuelling the Indian bakery market growth/demand.

Liquidity: Adequate

The liquidity profile of the company is adequate characterized by cash accruals of Rs.3.42 crore in FY24 vis-à-vis repayments obligation of Rs. 1.76 crore in FY25. Further, AFL has moderate cash balance of Rs 0.31 crore as of March 31,2024. With working capital utilization remaining full, there is very less cushion in case of increase in WC requirements. However, comfort is derived from the strength of promoters and track record of support demonstrated by way of infusion of funds to support the company in case of any shortfall. The liquidity of the company is also supported by positive CFO of Rs 5.06 crore as on March 31, 2024

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry**Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Other Food Products

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". The company also runs retail outlets in Tier 1 and Tier 2 cities. 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 (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	48.86	51.59	13.14
PBILDT	3.49	4.23	0.98
PAT	0.85	1.23	0.26
Overall gearing (times)	0.80	0.74	NA
Interest coverage (times)	4.95	5.41	6.19

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	1.80	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	March 31, 2027	8.41	CARE BB+; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	1.80	CARE BB+; Stable	-	1)CARE BB+; Stable (09-Oct-23)	1)CARE BB+; Stable (30-Sep-22) 2)CARE BB+ (CW with Developing Implications) (08-Jun-22)	1)CARE BB+; Positive (09-Aug-21)
2	Fund-based - LT-Term Loan	LT	8.41	CARE BB+; Stable	-	1)CARE BB+; Stable (09-Oct-23)	1)CARE BB+; Stable (30-Sep-22) 2)CARE BB+ (CW with Developing Implications) (08-Jun-22)	1)CARE BB+; Positive (09-Aug-21)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Senta Foodwork Private Limited	Proportionate	AFL owns 51% equity shares in the company.

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in	Analytical Contacts Karthik Raj K Director CARE Ratings Limited Phone: +91-80-4552 6666 E-mail: karthik.raj@careedge.in Mohammed Javed Ansari Assistant Director CARE Ratings Limited Phone: 914040020131 E-mail: Mohammed.A@careedge.in Ankit Jha Analyst CARE Ratings Limited E-mail: Ankit.Jha@careedge.in
---	---

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**