Sri Anagha Refineries Private Limited

February 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	14.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE BB+; Stable
Short Term Bank Facilities	86.00	CARE A4; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE A4+

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated November 28, 2023, placed the rating(s) of Sri Anagha Refineries Private Limited. (SARPL) under the 'issuer non-cooperating' category as Sri Anagha Refineries Private Limited had failed to provide information for monitoring of the rating. SARPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated October 13, 2024, October 23, 2024 and November 02, 2024. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of the absence of latest information pertaining to the company, such as operational information, FY24 financials, liquidity profile, etc., in order to ascertain its ability to timely repay debt.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believed that SARPL will continue to benefit from promoter's extensive experience.

Detailed description of the key rating drivers

At the time of last rating on November 28, 2023 , the following were the rating strengths and weaknesses:

Key Weaknesses

Decline in capacity utilization in FY22: Company presently has an installed Refinery with capacity of 150 Metric Tons Per Day. The capacity utilisation of refined sunflower oil reduced from 70% in FY21 to 55% in FY22 due to disturbances between Russia and Ukraine in last quarter of FY22, the raw material availability was on a lower side though being imported from other countries such and Argentina and Moldova. Similar trend continued for Q1FY23 as well. However, average sales realization for refined sunflower oil prices and palmolein oil increased by 28% and 34% respectively in FY22.

Moderate profitability margins: Despite increase in revenue, profitability margins have remained moderate at 2.18% (FY21: 2.21%) on account of increased share of revenue from trading activity of packaged palmolien oil and crude sunflower seed oil with low profitability margins. Given that revenue contributions from trading increased to 55% of TOI in FY22 against 36% in FY21, margins are remained similar to FY21. Operating profit margin marginally improved to 1.48% in FY23 as compared to 1.10% in FY22. However, PAT margin marginally deteriorated to 0.06% in FY23 as compared to 0.15% in FY22.

Profit margins susceptible to fluctuating raw material prices: The price of the domestic sunflower oil is directly dependent on the international crude sunflower seed oil price. The prices of unrefined sunflower oil are volatile and is directly linked to fluctuations in supply of sunflower seeds. Moreover, oil being a traded commodity, the market price is decided by the demand supply gap and other external factors. The company procures its entire requirement of sunflower seeds oil from Ukraine, Russia, and Argentina. However, during the disturbances between Russia and Ukraine, Anagha was able to import majority of crude sunflower oil from Argentina, Maldova and procured the same domestically from other large players. Anagha is exposed to volatility in raw material prices as the cash conversion cycle from procurement of raw material to realization from sale of processed edible oil is estimated to be 90-120 days. The price volatility risk is mitigated by incorporating a revision in refined sunflower oil prices sold domestically. The company is generally able to pass on the volatility to its customers. Further, the other oil i.e., refined palmolein oil is procured and sold in the domestic market.

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

Dependence on import of raw material exposed to foreign exchange fluctuation risk: Sunflower crude oil is the main raw material for the company used in production of refined sunflower oil. Sunflower oil is the one of the major contributors to the company's total sales and the raw sunflower crude oil is imported from overseas market i.e., from Ukraine, Russia, and Argentina on a regular basis. Import of raw materials exposes the company to forex risk. The company imports raw materials in various lots every month using letter of credit and hedging is done on case-to-case basis for these foreign exchange exposures.

Government regulated industry: The industry is characterized by high degree of government control both in procurement and sales for agriculture commodities. Regulatory risks such as change in the government's (domestic and foreign) policy towards export/import duties likely to have significant impact on the edible oil refiners. The central government via Notification dated 48/2021 reduced the basic custom duty on crude palm oil and crude sunflower seed oil reduced to nil till March 31, 2022 and further extended to March 31, 2023.

Intense competition in the industry: Edible oil industry is a consolidated industry and intensely competitive in nature as evident by the presence of organized players as well as unorganized players. The industry is capital intensive in nature hence requires heavy investment for setting up unit and machineries, it also requires technological advancement on regular basis for improving refining and yield of extraction of edible oils. Due to this, the bargaining power of players in the industry depends on the brand value. Visibility of brands in the markets drives the demand of the product. The intense competition between organized players in the industry exerts pressure on the already stressed operating margin. Further, edible oil is a price sensitive product with easy substitutability between varieties depending on economics. As a result, margins in this business tend to be thin.

Edible oil industry outlook: India is the world's second-largest consumer and number one importer of edible oil. Outlook on the edible oil sector is favourable on the back of rising consumption in the country, changing lifestyle and food habits, raising health awareness as well as increasing income level. The demand for edible oil is anticipated to continue its growth trajectory of 5-6% in the medium term. Demand from edible oil was moderately impacted during FY21 and FY22 due to the impact of COVID19 on hotel, restaurant & catering (HORECA) segment. However, growth from the HORECA segment is expected to recover during FY23. Packaged Food & FMCG products are expected to grow at a CAGR of around 10-12% till 2025.

Key Strengths

Experienced and resourceful promoters: Mr. N V Sambasiva Rao, Managing Director and a key promoter of Sri Anagha Refineries Private Limited, has vast industrial experience of over three decades in edible oil business. The operations of the company are monitored by Mr. N V Sambasiva Rao who is assisted by Mr. N Venkata Phani (Son of Managing Director) and Mr. B Satyanarayana Rao as directors of Anagha. The promoters are resourceful and have been regularly infusing funds to support business. As on March 31, 2022, Rs. 41 crores infused by the promoters have been subordinated to bank debt and considered quasi equity.

Improved total operating income in FY22 and FY23: The total operating income (TOI) of Anagha increased y-o-y at about 30% to Rs. 795.04 crores during FY22 backed by increased demand of sunflower oil. Further, the company captured few new markets in FY22 venturing into Telangana, Goa and Kerala. Revenue contribution from these markets is not significant, but the company is expecting to gradually improve its market share in these new areas. During FY23, the TOI increased by ~8% and stood at 859.02.

Strong brand presence of Sun premium and Palm Jyothi in Karnataka region: The company's brands; "Sun Premium" for sunflower oil and "Palm Jyothi" for palmolein oil enjoys instant recognition in the retail segment supported by a distribution network of 250 distributors and traders across Karnataka, Goa and Kerala. Anagha has strong presence in Karnataka and limited presence in other regions of the country. Sun premium is one of the top 3 selling brands in Karnataka. The company sells in bulk quantities to established food related companies such as Mother Dairy Fruit & Vegetable, Metro Cash and Carry India, Reliance Retail Limited etc. and Anagha sells to other non-branded food companies that supply locally within Karnataka.

Comfortable financial risk profile: Capital structure of Anagha marked by overall gearing deterioriated to 2.09x as of March 31, 2023 (PYE: 1.48x) at the back of higher utilization of working capital borrowings. The company's requirement is primarily in the form of non-fund-based i.e., letter of credits which it utilises to import the raw material.

Comfortable operating cycle: Operating cycle of Anagha stood comfortable at 52 days in FY23 (PY: 49 days) led by satisfactory collection period of 14 days in FY23 (PY: 18 days). Anagha maintains inventory level of about a month in general to cater to the needs of the market demand. With established relationship with its suppliers, Anagha is able to get a credit period of 45-60 days for domestic purchases. Further, for imports, Anagha issues LC which has a tenor period of about 90 days in average. On receiving the consignment, the company closes its LC limits by making the payment or it gets it converted into buyer's credit limit. Buyer's credit provides additional period of 90-180 days for the company to make payment and thereby providing time to the company to liquidate its inventory and realize the debtors.

Liquidity: Adequate
Liquidity position continues to be adequate with free cash and bank balance of Rs.19.46 crore as of March 31, 2023.The working capital fund-based limits are utilized ~82% for the twelve months' period ended August 2022. Company had enough liquidity

during FY22 to run the operations backed by increased limits from HDFC Bank and has sufficient cushion in case of any increase in working capital requirements.

Assumptions/Covenants: Not applicable

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

Applicable criteria
Policy in respect of non-cooperation by issuers
Liquidity Analysis of Non-financial sector entities
Definition of Default
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Edible Oil

Sri Anagha Refineries Pvt Ltd (Anagha) was incorporated in July 2012. The company is engaged in refining and sale of edible oil. The company's product profile includes refining and sale of sunflower oil and packing of palmolein oil. Initially the company undertook packaging of palmolein oil under the brand name "Palm Jyothi" which has gained popularity across Karnataka, Goa, and Kerala. In August 2015, the company set up its own oil refining plant in Baikampady, Industrial area, Mangaluru and the commercial operations for the same began in October 2015. With this, the company also processes, and markets refined sunflower oil under its flagship brand "Sun Premium". The Company has an installed capacity of 150 Metric Tons Per Day for refining. Anagha's market reach covers primarily Karnataka and some areas of Goa and Kerala with around 250 distributors and traders. The company is closely held with 100% of the shares held by the promoters and their family members.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	611.66	795.04	859.02
PBILDT	13.54	8.74	12.69
PAT	0.80	1.22	0.47
Overall gearing (times)	1.41	1.48	2.09
Interest coverage (times)	1.49	1.35	1.44

A: Audited; 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-Bank Overdraft	-	-	-	-	14.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Credit Exposure Limit	-	-	-	-	0.40	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	-	85.60	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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-Term Loan	LT	-	-	-	-	-	1)Withdrawn (19-Aug-21)
2	Fund-based - LT-Bank Overdraft	LT	14.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (28-Nov-23)	1)CARE BBB; Stable (04-Oct-22)	1)CARE BBB; Stable (19-Aug-21)
3	Non-fund-based - ST-Letter of credit	ST	85.60	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (28-Nov-23)	1)CARE A3+ (04-Oct-22)	1)CARE A3+ (19-Aug-21)
4	Non-fund-based - ST-Credit Exposure Limit	ST	0.40	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (28-Nov-23)	1)CARE A3+ (04-Oct-22)	-

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short 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-Bank Overdraft	Simple
2	Non-fund-based - ST-Credit Exposure Limit	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

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

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.

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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.

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