Ankita Agro And Food Processing Private Limited (Revised)

June 27, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	9.00 (Enhanced from 8.00)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable; (Double B Plus; Outlook: Stable)
Short Term Bank Facilities	32.00 (Enhanced from 25.00)	CARE A3 (A Three)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE A4+; (A Four Plus)
Long Term Bank Facilities	-	-	Withdrawn^
Total Bank Facilities	**41.00 (₹ Forty-One Crore Only)**		

Details of facilities in Annexure-1; ^withdrawal based on no due certificate (NDC)

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Ankita Agro and Food Processing Private Limited (AAFPL) continue to derive strength from experienced and resourceful promoter group, reputed customer base and moderate profitability. The ratings also consider adequate liquidity position of the company.

The ratings, however, continue to remain constrained on account of its modest scale of operations, small networth base resulting in leveraged capital structure and moderate debt coverage indicators. The ratings, further, continue to remain constrained on account of susceptibility of its profitability to fluctuations in raw material prices and presence in a competitive and fragmented food processing industry.

Key Rating Sensitivities

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

- Growth in its scale of operations with total operating income (TOI) of over Rs.100 crore while maintaining moderate profitability
- Improvement in capital structure with overall gearing falling below 2 times

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 strength

Experienced and resourceful promoter group

Haldiram Snacks Private Limited (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, USLs reduced to Rs.11.21 crore as on March 31, 2022.

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

Moderate profitability

Post-acquisition by HSPL and change in management, company had reported profit at PAT level from FY21 onwards. As per provisional results for FY22, PBILTD margin improved by 228 bps Y-o-Y and remained at 9.37% [PY: 7.09% in FY21] owing to decrease in procurement cost of raw material [i.e. oats] coupled with receipt of value addition from by-product [i.e. Husk Powder]. PAT margin of the company remained stable at 4.77% in FY22 (Provisional) over FY21 when the company had recognized deferred tax assets worth Rs.2.09 crore.

Reputed customer base

The company is engaged in the business of processing of raw oats into oat flakes. The company is engaged into private labeling as well as sells its product under its own brand name of "Vitmorn", however, the company has not sold its products under its brand name in FY22. Moreover, the customers of the company include Marico Ltd., Ruchi Soya Industries Ltd., Hindustan Unilever Limited and Patanjali Ayurved Ltd. etc.

Key rating Weakness

Modest scale of operations and profitability

During FY22 (Provisional), TOI of the company remained in line with the previous year at Rs.74.78 crore reflecting modest scale of operations 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.

Small networth base resulting in leveraged capital structure and moderate debt coverage indicators

Tangible net worth base of the company turned into positive and remained small as on March 31, 2022 (Provisional) on the back of accretion of profits into reserves. Capital structure is leveraged marked by an overall gearing ratio of 4.08 times as on March 31, 2022 (Provisional).

With improved profitability, debt coverage indicators of the company also improved and remained moderate as marked by interest coverage ratio of 4.12 times [PY: 2.60 times] and total debt / GCA of 3.23 times [PY: 7.05 times] for the year ended on March 31, 2022 (Provisional).

Susceptibility of operating margin 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 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 cash flow from operations (CFO), operating cycle and unencumbered cash and bank balance coupled with low utilization of fund based working capital limits.

The company does not have any long term debt repayments and is expected to generated moderate GCA of Rs.5-7 crore in near term. Moreover, CFO of the company increased significantly mainly on account of increase in PBILDT coupled with decrease in inventory as well as higher short-term liabilities as on March 31, 2022 (Provisional) and remained at Rs.13.40 crore in FY22 (Provisional) as against negative Rs.2.20 crore as on March 31, 2021. The cash and bank balance stood at Rs.5.23 crore as on March 31, 2022. Average utilization of fund-based working capital limit utilization remained low at ~29% in trailing twelve months ended March, 2022. Operating cycle of the company elongated over the previous year on the back of marginally higher collection period as against marginally lower creditors, though it continued to remain at moderate level of 32 days in FY22 (Provisional).

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

Applicable Criteria
[CARE's Policy on Default Recognition]
[Policy on Withdrawal of Ratings]
[Criteria on assigning Outlook and Credit Watch to Credit Ratings]
[Rating Methodology - Manufacturing Companies]
[Rating Methodology: Factoring Linkages in Ratings Parent Sub JV Group]
[Financial Ratios - Non-Financial Sector]
[Criteria for short term instruments]
[Liquidity Analysis of Non-Financial Sector Entities]

About the Company
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, 2022.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	FY22 (UA)
Total operating income	42.85	74.53	74.78
PBILDT	(0.98)	5.28	7.01
PAT	(4.85)	3.74	3.57
Overall gearing (times)	NM	NM	4.08
Interest coverage (times)	NM	2.60	4.12

A: Audited; UA: Unaudited; NM: Not Meaningful

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 February 21, 2022.

Any other information: Not Applicable
Rating History (Last three years): Please refer Annexure-2
Covenants of rated facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3
Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of 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-Term Loan	-	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	-	9.00	CARE BBB-; Stable
Non-fund-based - ST-ILC/FLC	-	-	-	-	27.00	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 (₹ crore)	Rating	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	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	-	-	-	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)	1)CARE B; Stable (11-Nov-19) 2)CARE B-; Stable; ISSUER NOT COOPERATING* (05-Jun-19)
2	Fund-based - LT-Cash Credit	LT	9.00	CARE BBB-; Stable	-	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)	1)CARE B; Stable (11-Nov-19) 2)CARE B-; Stable; ISSUER NOT COOPERATING* (05-Jun-19)
3	Non-fund-based - ST-ILC/FLC	ST	27.00	CARE A3	-	1)CARE A4+; ISSUER NOT COOPERATING* (31-Mar-22) 2)CARE A3 (04-May-21)	1)CARE A4; ISSUER NOT COOPERATING* (15-Jan-21)	1)CARE A4 (11-Nov-19) 2)CARE A4; ISSUER NOT COOPERATING* (05-Jun-19)
4	Non-fund-based - ST-Forward Contract	ST	5.00	CARE A3	-	1)CARE A4+; ISSUER NOT COOPERATING* (31-Mar-22) 2)CARE A3 (04-May-21)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated facilities: None

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
3	Non-fund-based - ST-Forward Contract	Simple
4	Non-fund-based - ST-ILC/FLC	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 has classified instruments rated by it on the basis of complexity. This classification is available at www.careedge.in. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.*

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About CARE Ratings:

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