

Anjani Foods Limited

May 13, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long –term Bank Facilities	5.00	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Assigned
Total Facilities	5.00 (Rupees Five Crore only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Anjani Foods Limited (AFL) are tempered by the small scale of operation, losses at net level reported during FY17-FY18 with thin operating profitability margin and highly fragmented and competitive business segment due to presence of numerous players engaged in similar kind of business. However, the rating derives strength from experienced promoter group along with established industry relations and promoters' resourcefulness, comfortable capital structure given low debt levels and satisfactory debt coverage indicators, comfortable operating cycle, adequate liquidity profile and stable outlook for food and confectionery industry.

Key Rating Sensitivities

Positive Factors

- Increase in TOI beyond Rs. 75 crore or above while maintaining a PBILDT margin of minimum 5% on a sustained basis.

Negative Factors

- Deterioration in capital structure marked by overall gearing ratio by 1.5x in future.

Key Rating Weaknesses

Small scale of operations

The scale of operations of the company is relatively small marked by total operating income of Rs. 23.72 crore in FY19 with low net worth base of Rs. 7.37 crore as on March 31, 2019.

The total operating income of company has been fluctuation during the review period. The revenue in FY17 includes other operating income amounting to Rs 5 crore by way of trading of paper & paper products. The total operating income of the company has improved Y-o-Y by ~18% to Rs.23.72 crore in FY19 on account of increase in new outlets within Andhra Pradesh. The company has achieved total operating income of ~Rs.30.00 crore in FY20 (Prov.)

Losses at net level reported during FY17-18 and thin profitability

The PBILDT margins of the company has been thin although improved from 0.41% in FY17 to 4.34% in FY19 due increase in PBILDT in absolute terms. The company has been incurring losses during FY17 & FY18 due to high financial costs and low sales. However, the company could earn non-operating income of Rs.0.49 lakh and Rs. 0.15 lakh in FY18 and FY19 respectively by profit on sale of assets and miscellaneous income. The PAT margin of the company improved and stood at 0.05% in FY19, still remains thin.

Highly fragmented and competitive business segment due to presence of numerous players engaged in similar kind of business

The company is engaged in manufacturing of bakery products which involves limited value addition. Moreover, on account of large number of units operating in similar business, there is high competition from local players in the market. The competition among the players remains very high resulting in high fragmentation and further restricts the profitability.

Key Rating Strengths

Strong promoter group with experienced and resourceful promoters

Anjani Foods Limited (AFL) belongs to Anjani Vishnu group, the group has long presence across various sectors like cement, ceramic tiles, educational institutes etc. AFL has been promoted by Mr. K V Vishnu Raj and Mr. R. Ravichandran. Mr. K V Vishnu Raj (Chairman) is a post graduate by qualification and having more than three decades experience as Managing director in different verticals (like NBFC services, educational services construction activates) and Mr. R. Ravi chandran (whole time director and Chief Executive officer) is a post graduate by qualification and having more than two decades in different verticals (like NBFC services, educational services and construction activates). By virtue of long presence in the market, the promoters have established healthy relationship with suppliers and customers.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Comfortable capital structure given low debt levels and satisfactory coverage indicators

The capital structure of the company marked by debt equity and overall gearing ratio remained comfortable during the review period. However, debt equity ratio and overall gearing ratio marginally deteriorated from 0.21x&0.49x as on March 31,2017 to 0.40x&0.65x as on March 31,2019 due to increase in total debt on account of increase in term loan for purpose of purchase of machinery and other equipment for manufacturing.

The debt coverage indicators of the company satisfactory during review period. The Total debt/GCA significantly improved to 6.30x in FY19 due to improvement in gross cash accruals. Further, PBILDT interest coverage ratio of the company significantly improved from 0.22x in FY17 to 2.68x in FY19 due to increase in PBILDT in absolute terms and no major increase in interest cost.

Total debt/cash flow from operation significantly improved from 38.04x in FY18 to 3.86x in FY19 due to better cash flow from operations.

Satisfactory operating cycle and adequate liquidity profile

The company has satisfactory operating cycle of the company at back of comfortable average collection days, modest inventory days and credit terms with suppliers of inputs. The company pays to suppliers within 30-45 days and amount received from customers within 15 days. Furthermore, the operating cycle of the company remained comfortable at 21 in FY19. The average utilization of cash credit stood at 85% for last 12 months ended March 31, 2020.

Stable outlook of food and confectionery industry

India is the world's second largest producer of food next to China, and has the potential of being the biggest with its food and agricultural sector. The Indian bakery industry is one of the biggest sections in the country's processed food industry. Bakery products, which include bread and biscuits, form the major baked foods accounting for over 82 per cent of the total bakery products produced in the country. It enjoys a comparative advantage in manufacturing, with an abundant supply of primary ingredients required by the industry, and is the third-largest biscuit manufacturing country (after the United States and China). The bakery segment in India can be classified into the three broad segments of bread, biscuits and cakes. India's organised bakery sector produces about 1.3 million tonne of bakery products (out of three million tonnes) while the balance is produced by unorganized, small-scale local manufacturers.

Liquidity: Adequate

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations and cash balance of Rs.0.44 crore as on March 31, 2019. The current ratio was at 1.19x as on March 31, 2019. The average utilization of Overdraft facility was 85% for the last 12 months ended March 31, 2020. The company has not availed moratorium (in view of COVID-19) for repayment of its bank loans and has sufficient cash flows to service its debt obligations.

Analytical approach: Standalone (the rating however factors support from the promoter group)

Applicable criteria:

[Criteria on assigning Outlook and Credit Watch](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology –Manufacturing Sector](#)

[Rating Methodology– Factoring Linkages in Ratings](#)

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 and selling of bakery and food products. The company has its manufacturing unit located in Andhra Pradesh having an installed capacity of 2800 tons per year. The company sells few of its products 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 cement, education, ceramic tiles etc.

Brief Financials (Rs. Crore)	31-03-2018	31-03-2019
	A	A
Total operating income	20.01	23.72
PBILDT	0.68	1.03
PAT	-0.17	0.01
Overall gearing (times)	0.41	0.65
Interest coverage (times)	1.92	2.68

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	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+; Stable
Fund-based - LT-Term Loan	-	-	March-2025	3.20	CARE BB+; Stable

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	1.80	CARE BB+; Stable	-	-	-	-
2.	Fund-based - LT-Term Loan	LT	3.20	CARE BB+; Stable	-	-	-	-

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.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Nivedita Ghayal

Contact no: 040-67937415

Email: nivedita.ghayal@careratings.com

Business Development Contact

Name: Ravi Babu

Contact no. : 9989998695

Email ID: ravi.babu@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an *External Credit Assessment Institution (ECAI)* by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's 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. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**