

Ankita Agro and Food Processing Private Limited
January 02, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	9.16	CARE B-; Stable (Single B Minus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	3.75	CARE A4 (A Four)	Reaffirmed
Total facilities	12.91 (Rs. twelve crore & ninety one Lakh only)		

Detailed Rationale & Key rating Drivers

The ratings assigned to the bank facilities of Ankita Agro and Food Processing Private Limited (AAFPL) continue to remain constrained on account of financial profile marked by decline in Total Operating Income (TOI) with continuous net losses during last three years ended FY18 (FY refers to the period from April 1 to March 31) and negative net-worth base attributed to leveraged capital structure. The ratings are further constrained mainly on account of high level of competition, raw material prices dependent on agro-climactic conditions and stressed liquidity position.

The ratings, however, derive strength from experienced management and reputed customer base with healthy demand prospects for processed oats and exemption available in indirect taxes.

The ability of the firm to increase in scale of operations with improvement in profitability margins and efficient management of working capital are the key rating sensitivities

Detailed description of the key rating drivers**Key Rating Weaknesses*****Decline in Total Operating Income (TOI) with net losses from last three years***

During FY18, Total Operating Income (TOI) of the company stood modest at Rs.32.35 crore, decreased by 15.96% over FY17 mainly on account of decrease in sale of oats.

Further, PBILDT margin of the company stood at 9.36% in FY18. The company has registered net loss of Rs.2.27 crore in FY18 as against Rs.2.02 crore in FY17 owing to increase in depreciation and interest and finance cost.

Weak solvency position

The solvency position of AAFPL stood leveraged marked by negative overall gearing as on March 31, 2018. Further, debt coverage indicators of the company also stood weak marked by negative Total debt to GCA in FY18 owing to negative GCA level and the interest coverage ratio stood weak at 0.91 times in FY18.

High level of competition and raw material prices dependent on agro-climactic conditions

The breakfast cereals industry is highly fragmented in nature due to presence of a large number of unorganized players and few organized players in the industry. Further, there are large numbers of options available to the consumers and such options can be differentiated based on nutrition available in it and taste it adds into the meal. Moreover, the business is also susceptible to changing preferences of consumers towards products, brands etc.

The major raw material of AFPL will be raw oats which are cultivated mainly in Australia, Canada, Russia, USA and European countries and prices of it are fluctuating because of the seasonal availability and irregularity of climatic condition leading to unpredictable yields etc.

Key Rating Strengths***Experienced management***

Mr Rajesh Kumar Jain and Mrs Preeti Jain having wide experience of more than a decade in the food processing industry and looks after overall affairs and administrative functions respectively in the company. They are assisted by Mr Rajesh Kumar Dugad, brother in law of Mr Rajesh Kumar Jain, who has vast experience of more than three decades in food processing industry.

Reputed customer base and exemptions available in indirect taxes

The company has established strong relationship with reputed customers and sells its products mainly to Patanjali, Horlicks, Weikfield, Saffola, ITC and Marico all over India. The company operates in tender driven industry. The main raw material of the company is raw oats which it imports from Australia.

Oats consumption in India is in the form of jumbo oats, quick cooking oats, broken oats, oats bran and oats floor etc. Finish oats is majorly imported in India mainly from Australia and European countries, which attach 36% of custom duty in total. While importing oats in raw form does not attach any import duty, hence, the company proposes to import duty free raw oats from Australia, Russia, Canada, USA and European countries and further process it into oat flakes and jumbo oats.

.Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Criteria for Short Term bank facilities](#)

[Rating Methodology-Manufacturing Companies](#)

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

Background of the Company

New Delhi based Ankita Agro and Food Processing Private Limited (AAFPL) was established in 2005 as a private limited company by Mr. Rajesh Kumar Jain along with his wife Mrs Preeti Jain. However, the operations have started from 2013. AFPL 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 a total installed capacity of Plain Oats of 4 Tonnes Per Hour, Masala Oats of 30 Tonnes Per Day, Atta Oats of 1 Tonne Per Hour as on March 31, 2018. The company imports its raw material from Australia. The company markets its product under the brand name of "Mournvita".

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	38.38	32.25
PBILDT	3.07	3.02
PAT	-2.02	-2.27
Overall gearing (times)	16.11	-17.96
Interest coverage (times)	0.96	0.91

(A: Audited)

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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.

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

About CARE Ratings:

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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-Term Loan	-	-	March-2023	4.16	CARE B-; Stable
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE B-; Stable
Non-fund-based - ST-ILC/FLC	-	-	-	3.75	CARE A4

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	4.16	CARE B-; Stable	-	1)CARE B-; Stable (24-Jan-18)	-	-
2.	Fund-based - LT-Cash Credit	LT	5.00	CARE B-; Stable	-	1)CARE B-; Stable (24-Jan-18)	-	-
3.	Non-fund-based - ST-ILC/FLC	ST	3.75	CARE A4	-	1)CARE A4 (24-Jan-18)	-	-

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