Ankita Agro and Food Processing Private Limited

January 24, 2018

Ratings

Facilities	Amount (Rs. Crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	10.56	**CARE B- ; Stable (Single B Minus; Outlook: Stable)**	**Assigned**
Short-term Bank Facilities	3.75	**CARE A4 (A Four)**	**Assigned**
Total facilities	**14.31 (Rs. Fourteen crore and thirty one lakhs only)**		

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Ankita Agro and Food Processing Private Limited (AFPL) are primarily constrained on account of financial risk profile marked by continuous net loss and weak solvency position in FY17 (FY refers to the period from April 1 to March 31). The ratings are further constrained mainly on account of high competition and raw material prices dependant on agro-climactic conditions.

The ratings, however, derive strength from experienced management and reputed customer base with healthy demand prospects for processed oats attributes to increase in scale of operations. The ratings, further, derives strength from 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
Financial risk profile marked by continuous net losses and highly leveraged solvency position

With increase in TOI, the company has registered operating profit of Rs. 3.07 crore in FY17 as against operating loss of Rs. 0.98 crore in FY16. Further, in line with PBILDT margin, net losses of the company has declined to Rs. 2.02 crore in FY17 as against net loss of Rs.5.45 crore in FY16.

The business of the company is working capital intensive nature marked by full utilization of its working capital bank borrowings during last twelve months ended September, 2017. The company maintains inventory of around 35-40 days and gets the payment from customers around 20-25 days. It makes the payment to its suppliers within 40-45 days attributes to moderate operating cycle at 15 days in FY17.

The capital structure of the company stood highly leveraged marked by overall gearing of 16.11 times as on March 31, 2017.

High level of competition and raw material prices dependant 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. Due to highly

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

competition and presence of numerous options, the company has limited flexibility over pricing their products. 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 with growth in Total Operating Income (TOI)

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. During FY17, the company has registered TOI of Rs. 38.38 crore as against Rs. 8.69 crore in FY16 mainly on account of increase in sale of oats.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Rating Methodology-Manufacturing Companies

Financial ratios – Non-Financial Sector

About the Firm

New Delhi based Ankita Agro and Food Processing Private Limited (AFPL) 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 15000 Metric Ton Per Annum (MTPA) as on March 31, 2017. The company imports its raw material from Australia. The company markets its product under the brand name of "Mournvita".

The company has undertaken a new project in August, 2016 for installation of additional Masala oats plant which will increase its capacity from 15000 MTPA to 20000 MTPA. The total cost of project is Rs.2.73 crore which is to be funded through term loan of Rs.2.25 crore and remaining through internal accruals. The project was completed on April, 2017.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	8.69	38.38
PBILDT	-0.98	3.07
PAT	-5.45	-2.02
Overall gearing (times)	-4.33	16.11
Interest coverage (times)	-0.38	0.96

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for 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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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	-	-	December, 2020	5.56	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	5.56	CARE B-; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	5.00	CARE B-; Stable	-	-	-	-
3.	Non-fund-based - ST-ILC/FLC	ST	3.75	CARE A4	-	-	-	-

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