Ankita Agro and Food Processing Private Limited

November 11, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	7.86	CARE B; Stable (Single B; Outlook: Stable)	Revised from CARE B-; Stable (Single B Minus; Outlook: Stable) and Revoked from Issuer Non-Cooperating
Short-term Bank Facilities	3.75	CARE A4 (A Four)	Reaffirmed and Revoked from Issuer Non- Cooperating
Total	**11.61 (Rs. Eleven crore and Sixty One Lakh only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the long-term rating of Ankita Agro and Food Processing Private Limited (AAFPL) takes into account improvement in profitability margins in FY19 (FY refers to the period from April 1 to March 31) with registering of net profit in FY19 as against net loss in FY18.

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

The ratings, however, continue to remain constrained on account of weak solvency position and stretched liquidity position. The ratings are, further, continued to remain constrained mainly on account of high level of competition and raw material prices dependant on agro-climactic conditions.

Rating Sensitivities

Positive factors

- Increase in scale of operations of the company on a sustainable basis.
- Sustained improvement in profitability margins over a period of time.
- Improvement in solvency position marked by improvement in overall gearing less than 3 times.

Negative factors

- Decline in scale of operation and profitability margins on a sustained basis
- Deterioration in solvency position led by increase in debt levels
- Any deterioration in liquidity position of the firm

Key Rating Weaknesses

Modest scale of operations, Moderate Profitability margins and leveraged capital structure

During FY19, Total Operating Income (TOI) of the company stood modest at Rs.36.03 crore, increased by 11.71% over FY18 mainly on account of increase in sale of plain oats.

During FY19, PBILDT margin of the company has improved by 12 bps over FY18 owing to decrease in cost of raw material consumed which is offset to an extent by increase in other manufacturing costs and selling expenses. Further, the company has registered net profit of Rs.4.25 crore in FY19 as against net loss of Rs.2.27 crore in FY18 due to change in depreciation method from Written Down Value (WDV) to Straight Line Method by the company resulting into Extra Ordinary Income (EOI) of Rs.3.78 crore owing to revert back of excess depreciation of previous years. Due to registering of net profit in FY19, it has registered cash profit in FY19.

The capital structure of the company stood leveraged marked by overall gearing of 5.69 times as on March 31, 2019. Further, the debt coverage indicators of the company also stood weak marked by Total debt to GCA of 12.76 times as on March 31, 2019 as against negative Total Debt to GCA as on March 31, 2018 and the interest coverage ratio stood moderate at 1.70 times in FY19 as against 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.

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

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 have wide experience of more than a decade in the food processing industry and look after overall affairs of 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 Ayurved Limited, Marico Limited, Bagrry's India Limited, GSK Limted, Bajrangbali Vanijiya Private Limited and various other companies.

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.

Liquidity: Stretched

The liquidity position of the company stood stretched marked by maximum 95% utilization of its working capital bank borrowings and 80% utilization of its non-fund based limits during last 12 months ended October, 2019. The current ratio and quick ratio stood below unity level as on March 31, 2019. However, the working capital cycle of the company stood at 12 days in FY19 owing to high creditors. Further, cash flow from operating activities has improved from positive cash flow of Rs.2.11 crore in FY18 to positive cash flow of Rs.4.20 crore in FY19. The cash and bank balance stood at Rs.0.39 crore as on March 31, 2019.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short term Instruments
Rating Methodology – Manufacturing Companies
Financial ratios – Non-Financial Sector

About 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 1000 Metric Tonnes Per Month, Masala Oats of 500 Metric Tonnes Per Month, Atta Oats of 100 Metric Tonnes Per Month as on March 31, 2019.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	32.25	36.03
PBILDT	3.02	3.41
PAT	-2.27	4.25
Overall gearing (times)	-17.96	5.69
Interest coverage (times)	0.91	1.70

Status of non-cooperation with previous CRA: None.

Any other information: None

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-Term Loan	-	-	May -2023	2.86	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	2.86	CARE B; Stable	1)CARE B-; Stable; ISSUER NOT COOPERATING* (05-Jun-19)	1)CARE B-; Stable (02-Jan-19)	1)CARE B-; Stable (24-Jan-18)	-
2.	Fund-based - LT-Cash Credit	LT	5.00	CARE B; Stable	1)CARE B-; Stable; ISSUER NOT COOPERATING* (05-Jun-19)	1)CARE B-; Stable (02-Jan-19)	1)CARE B-; Stable (24-Jan-18)	-
3.	Non-fund-based - ST-ILC/FLC	ST	3.75	CARE A4	1)CARE A4; ISSUER NOT COOPERATING* (05-Jun-19)	1)CARE A4 (02-Jan-19)	1)CARE A4 (24-Jan-18)	-

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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