Anmol Feeds Private Limited

March 15, 2018

Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Cash credit	11.00	[ICRA]BBB- (Stable); Assigned
Non fund based limit	3.55	[ICRA]A3; Assigned
Unallocated limits	3.45	[ICRA]BBB- (Stable)/[ICRA]A3; Assigned
Total	**18.00**	

Rating action

ICRA has assigned a long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the Rs. 11.00-crore[1] cash-credit limits and Rs. 3.45-crore unallocated-limits of Anmol Feeds Private Limited (AFPL)[1]. ICRA has also assigned a short-term rating of [ICRA]A3 (pronounced ICRA A three) to the Rs. 3.55-crore non-fund-based limits of the company and Rs. 3.45-crore unallocated limits of the company. The unallocated limit of the company has been rated on both long-term and short-term rating scales. The outlook on the long-term rating is 'Stable'.

Rationale

The assigned ratings take into account the long experience of the promoters in the animal feed industry for over two decades and the established distribution network of the company comprising over 3,000 dealers who in turn sell directly to the farmers and sub-dealers/retailers. The assigned ratings also draw comfort from the healthy financial risk profile of the company characterised by healthy growth in the company's profits, its moderate capital structure as on March 31, 2017 and the comfortable debt-coverage indicators during FY2017.

The ratings are, however, constrained by the highly fragmented nature of the animal feed industry, which exposes the major industry players including AFPL to intense competition from both the unorganised players as well as the large integrated players that sell in the open market. ICRA notes that the profitability of the company also remains exposed to fluctuations in the prices of key raw materials, maize and soya DOC, prices and availability of which to an extent are driven by the agro-climatic conditions and global demand-supply situations. Additionally, AFPL is exposed to risks associated with volatility in demand from the consuming sector as it is susceptible to bird flu and constant increase in the feed capacity by the integrators that also cater to the external demand. ICRA also notes the execution risks arising out of the capex undertaken by the company although the same is mitigated to an extent by the prior experience which would help in topline growth, post successful commissioning.

Outlook: Stable

ICRA believes AFPL will continue to benefit from the extensive experience of its promoters. The outlook may be revised to 'Positive' if substantial growth in revenue and profitability on account of effective utilisation of the capacity additions strengthens the financial risk profile. The outlook may be revised to 'Negative' if cash accrual is lower than expected, or if deterioration in working-capital cycle, results in tightness of liquidity.

[1] *For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications*

Key rating drivers

Credit strengths

Significant experience of the promoters in the animal-feed industry – AFPL was incorporated in 2001 by Mr. Amit Kumar Saraogi. The company is managed by the promoters who have almost two decades of experience in the animal-feed industry. Although the company is involved in manufacturing of poultry feed, fish feed and cattle feed; over 90% of the company's sales are poultry feeds. Going forward, the management plans to increase presence in the fish-feed industry as well. The company has an installed capacity of 1,95,000 MT at its facilities in Muzaffarpur, Junglepur and Lucknow. The company also utilises facilities of third party for production of poultry feed in Ranchi, Haryana and Jammu. During FY2018, the company has also started a fish-feed manufacturing facility in Panchala and during FY2019, the management plans to set up a feed-manufacturing facility in Jammu as well. While the capital expenditure undertaken by the company exposes it to execution risks, prior experience of the promoters would help in topline growth, post successful commissioning.

Established distribution network of the company – AFPL has an established distribution network comprising over 3000 dealers who in turn sell directly to the farmers and sub-dealers/retailers. Sales of the company mainly take place in the eastern and north eastern region of India under its brands - Anmol, Hentech and Nutri Choice.

Healthy financial risk profile of the company – AFPL's financial risk profile remains healthy, with continued improvement in its profits over the last couple of years, its moderate capital structure reflected by a gearing of 0.98 times and comfortable debt-coverage indicators reflected by TD/OPBDITA of 2.11 times and interest cover of 11.89 times during FY2017.

Credit challenges

Intense competition in the feed-manufacturing business with presence of large number of players and low value-additive nature of operations keeps profitability under check – The feed-manufacturing industry is highly fragmented with intense competition from a large number of players in the unorganised segment as well as from large integrated units that sell in the open market as well. Thus intense competition along with low value-additive nature of operation exerts pressure on the profitability of major industry players, including AFPL.

Exposure to risks associated with availability and pricing of key raw materials particularly maize and soya de-oiled cake – The key raw materials required for the production of animal feed is maize, soya de-oiled cake (DOC), de-oiled rice bran, rice bran etc. Since maize and soya DOC account for 85% of the raw material required in the manufacturing of poultry feeds, the fluctuations in the prices of key raw materials impact the profitability of the company. Since the raw materials are agricultural commodities, the prices are to an extent dependent on the domestic availability of the same, as well as global demand-supply situation. The company procures the key raw materials from various dealers in Bihar, Uttar Pradesh, West Bengal and other parts of India.

Inherent risks in the animal-feed industry like disease outbreaks – AFPL is exposed to risks associated with volatility in demand from the consuming sector as it is susceptible to bird flu and constant increase in feed capacity by the integrators that also cater to the external demand.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria:

Corporate Credit Rating Methodology

About the company:

Incorporated in 2001 by the members of Saraogi family, AFPL produces animal feed, particularly poultry feed, cattle feed and fish feeds at its own facilities in Bihar, West Bengal and Uttar Pradesh and through third-party facilities in Haryana, Jammu and Ranchi. The company has incurred a capex of around Rs. 13.5 crore for establishing a floating fish-feed manufacturing facility in West Bengal which has commenced operations from August 2017. Moreover, during FY2019, the company plans to set up its own feed-manufacturing facility (poultry, cattle and fish feed) in Jammu as well. The company sells its produce mainly in the eastern and north-eastern region of India at present under three brands – Anmol, Hentech and Nutri Choice.

Key financial indicators (audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	332.91	330.18
PAT (Rs. crore)	2.53	6.27
OPBDIT/ OI (%)	1.85%	3.57%
RoCE (%)	15.89%	31.10%
Total Debt/ TNW (times)	0.73	0.98
Total Debt/ OPBDIT (times)	2.31	2.11
Interest coverage (times)	7.93	11.89
NWC/ OI (%)	3%	5%

Status of non-cooperation with previous CRA:

CRA	Status of non- cooperation	Date of press release
CRISIL	CRISIL BB+ (Stable)/CRISIL A4+ (Issuer Not Cooperating)	November 30, 2017

Any other information: None

Rating history for last three years:

		Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating March 2018	Date & Rating in FY2017 -	Date & Rating in FY2016 -	Date & Rating in FY2015 -
1	Cash credit	Long Term	11.00	-	**[ICRA]BBB- (Stable)**	-	-	-
2	Non fund based	Short Term	3.55	-	**[ICRA]A3**	-	-	-
3	Unallocated limits	Long Term & Short Term	3.45	-	**[ICRA]BBB- (Stable)/ [ICRA]A3**	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	-	NA	-	11.00	[ICRA]BBB- (Stable)
NA	Non fund based	-	NA	-	3.55	[ICRA]A3
NA	Unallocated limits	-	NA	-	3.45	[ICRA]BBB- (Stable)/[ICRA]A3

Source: Anmol Feeds Private Limited

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