



Rating Rationale

Ajanta Raaj Proteins Ltd.

30 Mar 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 25.00 Crores of Ajanta Raaj Proteins Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	25.00	Long Term	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable
Total	25.00	INR Twenty Five Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY18, projected financials for FY19 - FY21, sales figures of current FY19 for 11 months period upto Feb 2019, publicly available information and information / clarification provided by the company's management.

The rating draws strength from the extensive experience of the management in the dairy industry and long existing track record of their venture for over five decades. The rating factors the consistent growth in sales of the firm along with its long term association with suppliers and customers.

The rating is, however, constrained by the low profitability margins of the firm in a highly fragmented and intensely competitive industry. The rating also factors the risks related to weather and environmental conditions which affect the milk supply to the dairy industry.

Going forward, the company's ability to improve its profitability margins, reduce its financial gearing by introducing capital and further improve its conversion cycle will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Highly experienced management with proven track record:** The promoters of the company have decades of experience in successfully running the dairy business. The company has a successful track record under the leadership of Mr. Om Prakash Agarwal who started this venture in 1964.
- **Association with reputed clients for supply of its products:** Being in the business for so long, the company has established long term relationships with its clients and it also supplies its products to various reputed companies like Vadilal Dairy International, Britannia Industries, Parle Products Ltd etc.
- **Diversified product portfolio:** The company has a diversified product portfolio of dairy products which range from Milk (57% contribution in sales in FY18) and Skimmed Milk Powder (SMP) (16% contribution in FY18) to Ghee (5% contribution in FY18) and Butter (20% contribution in FY18 sales).
- **Consistently growing sales:** The sales of the company have been growing consistently over the years and it is projected to grow by over 10% in FY19 over FY18 sales.

Credit Risks:

- **Low profitability margins:** The company's profitability margins have been on a lower side over the years as reflected in operating profit margin of 3.30% and Net profit margin of 0.59% in FY18. The major contributing factor to low profitability was the high contribution of Milk (57%) in FY18 sales, which is a low margin product.
- **Risk of weather Conditions and environmental factors:** A temperate weather is more conducive to higher milk production – The raw milk availability declines during summers. A drought or a rainfall deficit results in increased cost of cattle feed and reduced availability of cattle fodder thereby constraining milk supply. Such adverse weather and seasonal conditions may lead to a spike in raw milk prices.
- **Highly competitive & unorganized sector;** The Indian dairy industry is characterized by predominance of unorganized players. In the organized sector, the company faces tough competition from various well-established brands.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).



Rating Outlook: Stable

BWR believes the **Ajanta Raaj Proteins Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Ajanta Raaj Proteins Limited (ARPL) was started as a firm in the year 1964 and was reconstituted as a company in the year 1996. The company is based out of Agra (Uttar Pradesh) and is into the business of processing of milk and production of Dairy Milk Powder, Desi Ghee, Dried Skimmed Milk powder and Butter etc. The company has its processing plant in Agra and its installed capacity is 60 bags / hour of skimmed milk powder or 3,00,000 litres of milk per day. The company sells its products under the brand name of Ajanta Premium, Ajanta Supreme and Mohak to wholesalers and retailers in the domestic markets. The company's major raw material is milk which it procures mainly from farmers.

Company Financial Performance

The company's operating income has been growing consistently over the years and it has already achieved sales of Rs.132.55 crs. in 11 months of FY19 till 28 Feb 2019. The company had a moderate networth of Rs.11.62 Crs. as on 31 March 2018 and a gearing of 1.97 times in FY18. The debt protection metrics of the company are moderate as reflected in ISCR & DSCR of 1.54 & 1.28 as on 31 March 2018. The current ratio was moderate at 1.20 in FY18.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	127.08	122.78
EBITDA	₹ Cr	4.19	4.22
PAT	₹ Cr	0.76	0.79
Tangible Net worth	₹ Cr	11.62	10.88
Total Debt (analyzed) / Tangible Net worth	Times	1.97	2.47
Current Ratio	Times	1.20	1.15

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
I	Fund Based	Long Term	25.00	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable	NA		
	Total		25.00	₹ Twenty Five Crores Only			

Status of non-cooperation with previous CRA - CARE BB (Outlook:Stable) Issuer Not Cooperating via rationale dated 04 March 2019 due to non-submission of information.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.



About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.