

Rating Rationale

Brickwork Ratings assigns ‘BWR B’ for the Bank Loan Facilities aggregating ₹10 Cr of Ananda Feeds.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the bank loan facilities of Ananda Feeds (“AF” or “the firm”):

Bank Facility	Limits (₹ Cr)	Tenure	Rating*
Over Draft against Book Debts (ODBD)	10.00	Long Term (Fund Based)	BWR B (Pronounced BWR Single B) Outlook: Stable
Total	10.00	INR Ten Crores only	

BWR has essentially relied upon AF’s audited financial results upto FY15, publicly available information and the information/clarifications provided by the firm.

The rating draws strength from extensive experience of the promoters in the aquaculture industry and locational advantages. However, the rating is constrained by the firm’s small scale of operations, highly fragmented and competitive seafood market with presence of large number of organized and unorganized players, inherent challenges in the Indian seafood industry such as volatile demand, seasonality in sale and raw material availability risk owing to its susceptibility to diseases outbreaks and adverse climatic conditions, weak financial risk profile marked by low capital, stretched receivables and weak debt protection metrics and working capital intensive nature of operations.

Background:

Ananda Feeds (AF) was established on 1st October 2012 as a partnership firm in Sivaraopet, Bhimavaram, Andhra Pradesh. AF is associated with the AP based Ananda group of companies. The firm is engaged in trading of Aqua Feed, Aqua Culture and as a commission agent for procuring shrimps for its associate company, Ananda Aqua Export Private Limited and shrimp farmers locally. The firm is a major distributor of Ananda Enterprises (India) Private Limited’s (associate company) popular shrimp brands 'Anand' and 'Dharma'.

Management:

Shri. Ramakrishnam Raju U is the Managing Partner and has extensive experience in the aquaculture industry. The firm is managed by Shri. Ramakrishnam Raju U and other partners are Smt. Parvathi U, Smt. Padmavathi U, Smt. Vijayapraveela Kumari U, Smt. Radha Rani U, Smt. Padma U, Smt. Usha U, Smt. Srilaxmi Devi U and Smt. Surya Soundarya U.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

AFS's operating income decreased from ₹ 67.53 Crores in FY14 to ₹ 34.87 Crores in FY15, mainly on account of decrease in demand of Aqua feeds. Profit after tax has decreased from ₹ 0.31 Crore in FY14 to ₹ 0.19 Crores in FY15. Partners' Capital stood at ₹ 0.38 Crores as on 31st March 2015.

Rating Outlook:

The rating outlook is expected to remain stable for the current year. Going forward, the ability of the firm to increase its scale of operations profitably, strengthen its capital structure, and manage its working capital cycle effectively will be the key rating sensitivities.

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