



## Rating Rationale

Ananda Foods

27 Feb 2018

**Brickwork Ratings assigns 'BWR BB-/A4' (Outlook:Stable) for the Bank Loan Facilities of Rs. 26.80 Crs of Ananda Foods ('AF' or 'the Firm')**

### Particulars

Facility*	Amount (Rs. Crs)	Tenure	Rating^
<b>Fund Based</b> Term Loan	2.80#	Long Term	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) Outlook:Stable
<b>Fund Based</b> PC/PCFC FDB/FBE/BRD	16.00 6.00	Short Term	<b>BWR A4</b> (Pronounced as BWR A Four)
<b>Non- Fund Based</b> Letter of Credit	2.00		
<b>Total</b>	<b>26.80 (INR Twenty Six Crores and Eighty Lakhs Only )</b>		

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*Annexure-I provides details of bank wise facilities

#Outstanding as on February 21, 2018

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Firm upto FY17, provisional financial results for 8MFY18, projected financials upto FY19, publicly available information and information/clarifications provided by the management.

The ratings draw strength from the experience of the partners in marine food processing industry and strength of the Andhra Pradesh based Ananda group, which is engaged in processing and export of marine food. The ratings, however, are constrained by the limited track record of the Firm, modest scale of operations, low profitability, susceptibility of profit margins to volatility in raw material prices and foreign exchange rate fluctuations, exposure to intense competition and inherent risks associated with marine food industry and working capital intensive operations.

Going forward, the ability of the Firm to increase its scale of operations, efficiently manage its supply chain, strengthen its overall credit profile and manage its working capital efficiently would be the key rating sensitivities.

### 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)

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## Key Rating drivers

### Credit strengths

- **Experience of the partners in marine food processing industry**

AF is a part of the Andhra Pradesh based Ananda group, which is engaged in processing and export of marine food through its flagship Company, Ananda Aqua Exports Pvt. Ltd and its other group companies. The partners of AF have gained more than four decades of experience in marine food processing industry.

- **Established relationships with suppliers and customers**

During its long presence in marine food industry the promoters of Ananda Group have established strong relationship with its customers and suppliers, which enable AF to purchase raw material at competitive prices and receive repeat orders from USA and Europe based customers.

### Credit Weaknesses

- **Limited track record of business operations**

Although AF was established in 1993, the Firm's operations were discontinued since 2005. AF restarted the business activities in January 2017 in view of high demand for SPF L Vannamei (shrimp) in global markets.

- **Modest scale of operation and low profitability**

Due to limited track record and geographical concentration of the business in Andhra Pradesh, the Firm's scale of operations remained modest as it recorded total operating income of Rs.203.44 Crs during 8MFY18 period as compared to Rs.64.78 Crs in FY17. Owing to low value additive nature of the business, the operating profit margin of the Firm was low at 5.04% in FY17 and 4.77% during 8MFY18. However, the overall gearing of AF was comfortable at 0.24 times as on March 31, 2017, mainly on account of considerable capital support by the partners. The partner's capital was Rs.22.22 Crs as on March 31, 2017.

- **Susceptibility of profit margins to foreign exchange rate fluctuation**

AF is a 100% export oriented unit and gives around 2 months credit period to its customers. However, the Firm does not engage in any hedging practices to cover the risk of currency exchange rate fluctuation.

- **Exposure to the intense competition and inherent risk associated with marine food industry**

Low entry barriers and limited brand recall intensify the competition in marine food industry which consist of a large number of unorganised players. Furthermore, the volatility in feed prices, diseases, climate vagaries, lack of quality seeds and feed affect supply of marine food and hence, the prices. Indian marine food exporters also face intense competition from cheaper varieties sourced from countries such as Bangladesh, Thailand, and Indonesia. Moreover, any change in policy would adversely impact the players' revenue and profit margins.

### Rating Outlook: Stable

BWR believes AF's 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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.



**Background:**

Ananda Foods (AF) is a Bhimavaram, Andhra Pradesh based partnership firm established in 1993. Prior to discontinuing its business operations in 2005, the Firm was engaged in export of tiger shrimp. In view of growing export market for SPF L Vannamei shrimps, Ananda Foods restarted the business operations in January 2017. AF is a 100% export oriented unit with customer base mainly located in USA and European countries. The Firm has a shrimp processing facility at Bhimavaram, West Godavari with an installed capacity of 36 MTPA. AF is a part of Ananda group which is promoted by Mr. U. Kasi Viswanadha Raju and has an integrated presence in marine food processing industry. Ananda Aqua Exports Pvt. Ltd is the flagship entity of Ananda Group.

**Financial Performance**

During 3MFY17, AF reported total operating income of Rs.64.78 Crs and PAT of Rs.2.79 Crs. During 8MFY18 period, on provisional basis, the Firm has recorded total operating income of Rs.203.44 Crs and PAT of Rs.8.88 Crs. Current ratio as on March 31 2017 stood at 1.18 times.

Key financial indicators are furnished in Annexure II.

**Rating History for the last three years:**

Sl. No.	Instrument/ Facility	Current Rating (February 2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2017	2016	2015
1	<u>Fund Based</u> Term Loan	Long Term	2.80*	BWR BB- (Outlook:Stable) Assigned	Not Rated	Not Rated	Not Rated
2	<u>Fund Based</u> PC/PCFC FDB/FBE/BRD	Short Term	16.00 6.00	BWR A4 Assigned	Not Rated	Not Rated	Not Rated
3	<u>Non-Fund Based</u> Letter of Credit		2.00				
	<b>Total</b>		<b>26.80</b>	<b>INR Twenty Six Crores Eighty Lakh only</b>			

\*outstanding as February 21 2018

**Status of Non cooperation with other CRA : Not Applicable**

**Any other information : Not applicable.**

**Hyperlink/Reference to applicable Criteria**



- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

Analytical Contacts	Media
<b>Rajee R</b> <b>General Manager- Ratings</b> <a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
	<b>Relationship Contact</b>
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

### **Ananda Foods**

#### **Annexure I**

#### **Details of Rated Bank Facilities**

Bank	Facilities	Rated Amount (Rs. Crs)
Canara Bank, Mid Corporate Branch, Bhimavaram, West Godavari, Andhra Pradesh	Term Loan	2.80*
	PC/PCFC	16.00
	FDB/FBE/BRD	6.00
	Letter of Credit	2.00
	<b>Total</b>	<b>26.80</b>

\*outstanding as on February 21 2018

#### **Annexure II**

#### **Key Financial Indicators**

Particulars	3MFY17
<b>Total Operating Income (Rs. Cr)</b>	64.78
<b>EBITDA</b> (Rs. Cr)	3.27
<b>PAT</b> (Rs. Cr)	2.79
<b>Partner's Capital (PC)</b> (Rs. Cr)	22.22



<b>Total Debt: PC</b>	(Times)	0.24
<b>Current Ratio</b>	(Times)	1.18

#### **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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### **About Brickwork Ratings**

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