December 21, 2023

Anmol Industries Limited: Ratings reaffirmed and rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Term Loan	-	120.00	[ICRA]AA- (Stable); assigned
Long-term – Fund-based - Cash Credit	20.00	54.00	[ICRA]AA- (Stable); reaffirmed/ assigned
Short-term – Fund Based Working Capital	10.00	10.00	[ICRA]A1+; reaffirmed
Short-term – Non-Fund Based Facilities (interchangeable)	(10.00)	(20.00)	[ICRA]A1+; reaffirmed/assigned
Long-term/ Short-term – Fund Based Working Capital	39.00	41.00	[ICRA]AA- (Stable)/ [ICRA]A1+; reaffirmed/assigned
Long-term/ Short-term – Non-Fund Based Facilities (interchangeable)	(30.00)	(35.00)	[ICRA]AA- (Stable)/ [ICRA]A1+; reaffirmed/assigned
Long-term/ Short-term – Unallocated Limit	31.00	-	-
Total	**100.00**	**225.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings reaffirmation continues to consider the extensive experience of the promoters of Anmol Industries Limited (AIL) and the Group's established track record in the biscuit manufacturing business of nearly three decades. The ratings also consider the favourable demand outlook of the biscuit industry. Moreover, ICRA notes the company's strong market presence, particularly in eastern India, the established brand name of Anmol and a wide distribution network, which strengthen its operating profile. The ratings also consider the favourable financial risk profile of the company, characterised by a conservative capital structure and strong debt coverage indicators due to low borrowings. The project cost for AIL's upcoming plant in Thakurganj, North Bihar has increased to ~Rs. 251 crore vis-à-vis ~Rs. 180 crore estimated earlier due to a change in the facilities to include value-added products. Hence, the amount of term loan tied up for the capex has also increased to Rs. 120 crore from Rs. 80 crore. However, ICRA does not foresee any material deterioration of the company's capital structure and debt coverage metrics, going forward, due to the debt-funded capex. Nevertheless, the capex exposes AIL to project-related risks associated with completion of the project within the budgeted cost and estimated timeframe and stabilisation of the facility as per the expected operating parameters, post commissioning. Nevertheless, such risks are mitigated to an extent by the promoters' prior experience in such capex and an advanced stage of project implementation at present. The ratings are constrained by the susceptibility of AIL's profitability to fluctuations in raw material prices and the intense competition inherent in the industry due to the presence of many organised and unorganised players, which limits pricing flexibility and impacts margins. The company's operating margin deteriorated significantly in FY2022 on the back of a sharp rise in input prices and its inability to fully pass on the price hike to the consumers during the year. However, its operating margin improved significantly in FY2023 to 12.3% from 6.1% in FY2022, primarily aided by a rise in realisations and improved further to 13.9% in H1 FY2024 with a significant softening of the prices of palm oil, a key raw material. AIL also remains exposed to high geographical concentration risk as the major portion of its revenues is derived from eastern India. Its sales volume growth (in tonne) also remained muted in the recent years. The company's ability to expand its sales volume amid intense competition and capacity expansion by other organised players would remain critical from the credit perspective.

AIL's low working capital intensity of operations, healthy cash accruals and sizeable free cash and liquid investments are likely to support its liquidity despite cash outflows towards capex and share buyback (Rs. 64-65 crore including tax, in each of FY2022 and FY2023). However, the company has extended sizeable loans to unrelated body corporates, the amount of which increased to Rs. 98.0 crore as on September 30, 2023 from Rs. 49.5 crore as on March 31, 2023, encumbering the liquidity to an extent and exposing the company to delinquency risks.

The Stable outlook on the [ICRA]AA- rating reflects ICRA's opinion that AIL will continue to benefit from its strong market presence and established brand, particularly in eastern India and the company's credit profile is likely to remain healthy with a conservative capital structure, strong debt coverage metrics and healthy cash accruals.

Key rating drivers and their description

Credit strengths

Established brand name in eastern and northern India – AIL primarily sells its products under the brand name, Anmol, through around 3,000 super-stockists, distributors and sub-distributors across eastern and northern India, which strengthen its operating profile. Over the years, Anmol has become an established brand in the biscuit and bakery segment and enjoys good brand recognition and customer acceptance particularly in rural and sub-urban markets of eastern India.

Comfortable financial profile, characterised by a conservative capital structure and strong coverage indicators – AIL's capital structure remained conservative with low debt and healthy tangible net worth. The company's total debt as on March 31, 2023 comprised lease liabilities of Rs. 11.9 crore and working capital borrowing of Rs. 22.8 crore only. Its TOL/TNW stood at a low level of 0.2-0.3 times over the last three fiscals. The conservative capital structure and healthy profits led to strong debt coverage metrics, as reflected by an interest coverage of 190.9 times (76.6 times in FY2022), total debt relative to OPBDITA of 0.2 times (0.1 times in FY2022) and net cash accrual relative to the total debt of 530% (375% in FY2022) in FY2023. Despite the term loan of Rs. 120 crore, which AIL has contracted to set up the facility in Bihar, ICRA expects the gearing and debt coverage metrics to remain strong.

Low working capital intensity of operations supports liquidity – Most of the company's sales are made against immediate/ advance payments. It maintains a moderate level of raw material and finished goods inventory to ensure smooth operation and distribution. This coupled with moderate credit availed from suppliers and advances from customers keep AIL's net working capital relative to the operating income at a low level (2-6% over the last three fiscals), supporting the liquidity position.

Favourable demand outlook of biscuit industry – With increasing urbanisation and changing lifestyle, the demand outlook for biscuits in the country is likely to remain favourable, given the low per-capita consumption at present. This is likely to support revenue growth for biscuit players like AIL that have an established brand presence.

Credit challenges

Profitability remains susceptible to volatility in raw material prices – The raw materials required for manufacturing biscuits and bakery products are flour, sugar, palm oil, butter, skim milk powder (SMP), flavours, preservatives etc. The company also requires a significant volume of packaging materials. The prices of flour, sugar and palm oil are highly dependent on the level of harvest, which is impacted by agro-climatic conditions, Government policies relating to price control, import/exports etc. and are subject to considerable volatility, thus impacting AIL's margins. Prices of packaging materials like laminates remain linked to crude oil prices, which also exhibit significant volatility. In FY2022, the company's operating margin contracted significantly to 6.1% from 14.2% in FY2021 on the back of a sharp rise in input costs, which the company could not fully pass on to the consumers during the year, along with other factors like lower subsidy receipt and resumption of selling expenses like discounts, rebates etc., which had been discontinued during the first wave of the pandemic in FY2021. However, AIL's operating margin improved significantly in FY2023 to 12.3% from 6.1% in FY2022, aided by a rise in realisations and higher subsidy receipt and improved further to 13.9% in H1 FY2024 with a significant softening of palm oil prices.

Limited geographical diversification and muted sales volume growth in recent years – At present, AIL has market presence in around 25 Indian states, and also sells its products overseas like Middle East nations, North America, etc. However, the company's major market remains the eastern states of India, which together accounted for 65-69% of its revenues over the past three years, implying AIL's exposure to geographical concentration risks. AIL also has a firm footprint in Uttar Pradesh, which contributed ~10% to the company's sales in FY2023. However, stiff competition from other established players kept AIL's sales volume (in tonne) muted in the recent years. Though the company's operating income witnessed a robust growth of 20% in FY2023, the same was mainly driven by a sharp rise (by 17%) in realisation, while sales volume grew marginally (by 1%). In H1 FY2024, AIL's sales volume declined by ~8% on a YoY basis, however, the same is likely to improve in H2 FY2024 with commissioning of additional capacities.

Competitive nature of industry limits pricing flexibility – The company remains exposed to stiff price-based competition from other established players and various small biscuit manufacturers, given a significant portion of its revenue is generated from the highly price-sensitive sub-brands. Hence, AIL's limited pricing flexibility is likely to keep its margins under check.

Project risks associated with the sizeable ongoing capex – AIL's upcoming plant in Thakurganj, Bihar, with a capacity of 60,600 MTPA, would enable the company to reduce its freight costs for catering to north-eastern states and North Bengal, and expand its presence in those regions. Relatively more value-added products to be produced in the new plant and its entitlement to various Government subsidies/incentives (including the production-linked incentive scheme) are likely to result in margin expansion. However, a sizeable capex of ~Rs. 251 crore for the plant exposes AIL to project-related risks. Any significant time and cost overrun or delay in stabilisation of the facility, as per the expected operating parameters, post commissioning, may hinder AIL's revenue growth and cash flow position. However, such risks are mitigated to an extent by the promoters' prior experience in such capex, successful financial closure, and an advanced stage of project implementation at present. Till November 2023, ~Rs. 172 crore was incurred for the plant, funded by term loans of ~Rs. 75 crore and the balance by internal accruals.

Liquidity position: Adequate

The company's liquidity position is likely to remain adequate. Its cash flow from operations remained healthy and improved to ~Rs. 159 crore in FY2023 from ~Rs. 105 crore in FY2022. There was a cash outlay of around Rs. 65 crore (including tax) for share buyback in FY2023. Besides, the company incurred a capex of ~Rs. 120 crore in FY2023, out of which ~Rs. 90 crore was incurred for the upcoming plant in Thakurganj, Bihar. The pending capex of ~Rs. 161 crore for the plant will be incurred in the current fiscal. The company has commissioned a cake and cookies plant in Guwahati (~Rs. 7 crore) and will also commission a wafer facility at its existing plant in Dankuni (~Rs. 9 crore) in the current fiscal. In addition, AIL has incurred ~Rs. 45 crore in the current fiscal for purchasing a land to construct an office building, for which Rs. 60-70 crore cash outlay is expected in the following 2-3 years. Term loans worth Rs. 120 crore have been tied up for the Thakurganj plant, and a small term loan of Rs. 2 crore has been availed for the Guwahati plant in the current fiscal. The balance capex will be funded by internal accruals. AIL had sizeable free cash and liquid investments of ~Rs. 78 crore as on March 31, 2023. This coupled with healthy cash flow from operations (~Rs. 174 crore estimated for FY2024) and moderate undrawn working capital limits (~Rs. 23 crore with respect to the drawing power as of September 2023) reduce the funding risks for the capex. A ballooning repayment structure of the term loans sanctioned for the capex would keep the debt repayment obligation low in the near-to-medium term (~Rs. 11 crore for FY2024 and ~Rs. 9 crore for FY2025, including lease liabilities), supporting liquidity. AIL extended loans of Rs. 49.5 crore to body corporates in FY2023, which increased further to Rs. 98.0 crore in H1 FY2024. Any further increase in the loans given along with any large share buyback may adversely impact the liquidity position.

Rating sensitivities

Positive factors – ICRA may upgrade AIL's long-term rating if the company is able to geographically diversify its operations and demonstrate a significant improvement in its scale of operations, leading to a sustained improvement in revenue and cash accrual, strengthening its net worth and liquidity position.

Negative factors – Any significant deterioration in AIL's revenue and cash accrual on a sustained basis may trigger a rating downgrade. Pressure on AIL's ratings may also arise if sizeable unanticipated debt-funded capital expenditure, share buyback/dividend pay-out or loans and advances extended to related/unrelated parties adversely impact the company's liquidity position. Total debt/OPBDITA of more than 1.5 times on a sustained basis may also trigger a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the rated entity.

About the company

Anmol Industries Limited (formerly known as Anmol Industries Private Limited) was incorporated by the Kolkata-based Choudhary family in 2009. Anmol Biscuits Limited (ABL), which was an erstwhile holding company of AIL, started operations in 1994. With effect from April 1, 2016, ABL merged with AIL. Anmol Bakers Private Limited (ABPL), which was a wholly-owned subsidiary of ABL, also merged with AIL with effect from April 2, 2016. Both ABL and ABPL were in the business of biscuits and bakery products. Subsequently, the name of Anmol Industries Private Limited was changed to Anmol Industries Limited with effect from March 2017.

The company manufactures biscuits, cakes, cookies and rusk under the Anmol brand that are mainly sold in eastern and northern India. AIL has seven manufacturing facilities located in northern and eastern states of India, with a combined production capacity of 3,05,492 metric tonnes per annum (MTPA) at present. The company is setting up a new plant in Bihar with a manufacturing capacity of 60,600 MTPA.

Key financial indicators (audited)

AIL (standalone)	FY2022	FY2023	H1 FY2024*
Operating income	1,416.4	1,699.5	805.8
PAT	6.8	126.6	79.6
OPBDIT/OI	6.1%	12.3%	13.9%
PAT/OI	0.5%	7.4%	9.9%
Total outside liabilities/Tangible net worth (times)	0.2	0.3	-
Total debt/OPBDIT (times)	0.1	0.2	-
Interest coverage (times)	76.6	190.9	159.6

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; *Provisional*

Status of non-cooperation with previous CRA

Name of CRA	Date of Press Release	Rating Action
CRISIL	Aug 11, 2023	Long-term rating – CRISIL B/Stable (ISSUER NOT COOPERATING*) Short-term rating – CRISIL A4 (ISSUER NOT COOPERATING*)

**Issuer did not cooperate; based on best-available information*

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Sepr 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Dec 21, 2023	Sep 30, 2022	Jun 15, 2021	-
1	Fund based – Term Loans	Long term	120.00	55.50	[ICRA]AA-(Stable)	-	-	-
2	Fund based – Cash Credit	Long term	54.00	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-
3	Fund-based working capital^	Short term	10.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-
4	Non-fund based – Letter of Credit (Interchangeable)	Short term	(20.00)	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-
5	Fund-based working capital*	Long term/ short term	41.00	-	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable) / [ICRA]A1+	[ICRA]AA-(Stable) / [ICRA]A1+	-
6	Non-fund based – Bank Guarantee/ Letter of Credit (Interchangeable)	Long term/ short term	(35.00)	-	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable) / [ICRA]A1+	[ICRA]AA-(Stable) / [ICRA]A1+	-
7	Unallocated limit	Long term/ short term	-	-	-	[ICRA]AA-(Stable) / [ICRA]A1+	[ICRA]AA-(Stable) / [ICRA]A1+	-

*^Includes short-term working capital loan, overdraft, EPC/PCFC *Combined limits including long-term/short term facilities like Cash Credit, WCDL, overdraft, short-term loans, EPC/PCFC, FBD, Purchase Invoice Finance, Bill Discounting*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Term Loans	Simple
Long-term – Fund-based - Cash Credit	Simple
Short-term – Fund-based working capital	Simple
Short-term – Non-fund based facilities (interchangeable)	Very simple
Long-term/ Short-term – Fund-based working capital	Simple
Long-term/ Short-term – Non-fund based facilities (interchangeable)	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	**Term Loan**	Feb-2023	NA	Dec-2028	40.00	[ICRA]AA- (Stable)
-	**Term Loan**	Jan-2023	NA	Mar-2028	40.00	[ICRA]AA- (Stable)
-	**Term Loan**	Aug-2023	NA	Nov-2029	40.00	[ICRA]AA- (Stable)
-	**Cash Credit**	NA	NA	NA	54.00	[ICRA]AA- (Stable)
-	**Fund-based working capital^**	NA	NA	NA	10.00	[ICRA]A1+
-	**Letter of Credit (Interchangeable)**	NA	NA	NA	(20.00)	[ICRA]A1+
-	**Fund-based working capital***	NA	NA	NA	41.00	[ICRA]AA- (Stable) / [ICRA]A1+
-	**Bank Guarantee/Letter of Credit (Interchangeable)**	NA	NA	NA	(35.00)	[ICRA]AA- (Stable) / [ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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