

Press Release

Indus Mega Food Park Private Limited

April 27, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs.34.00 Cr.
Long Term Rating	ACUITE BB/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.34.00 crore bank facilities of Indus Mega Food Park Private Limited (IMFPPL). The outlook is '**Stable**'.

About the company

Hyderabad-based, Indus Mega Food Park Private Limited (IMFPPL) was incorporated in 2011 as a special purpose vehicle (SPV) for establishment of an integrated food processing park under the Ministry of Food processing Industries (MOFPI), GOI food park scheme. Indus Mega Food Park was promoted by Ananda Group and Vasistha Holdings Ltd along with other stakeholders. Mr. Uddaraju Kasi Viswanadha Raju is the managing director of IMFPPL. He has 4 decades of extensive experience in the agro-related business. In September 2020, Ananda group which already held 42.85 percent stake in IMFPPL, bought VHL's stake of 30.27 percent and took over the management control. The company is engaged in processing of vegetables, live fish and shrimps. The company is also engaged in processing of feed. The processing unit is present in Khargone (Near Indore, Madhya Pradesh). The Company has a dry warehouse storage facility of 50,000 Metric Tons Per Annum (MTPA), cold storage facility of 10,000 MTPA, Individually Quick Frozen (IQF) line of 2.5 TPH and 2000 MTPA along with extrusion cooking line with capacity of 2 Tons per Hour (TPH).

The rating assigned on the bank facilities of IMFPPL is driven by its established food park, improving revenues and satisfactory profitability margins, support from Ananda Group; veteran in agro based industry. The above strengths are partially offset by its moderate financial risk profile, moderate working capital management.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of IMFPPL to arrive at the rating.

Key Rating Drivers

Strengths

- **IMFPPL now a part of Ananda group (an established group in agro-based industry of AP); tangible support from the group and its promoters to IMFPPL depicts its strategic importance**

Indus Mega Food Park Private Limited is promoted by Ananda Group (42.85 percent) and Vasistha Holdings Ltd (30.27 percent). Mr. Uddaraju Kasi Viswanadha Raju is the managing director of IMFPPL. He has 4 decades of extensive experience in the agro-related business. Vasistha Holdings Ltd (VHL) founded IMFPPL with the help of the other stakeholder's investments and used to manage the day-to-day operations. With VHL's inclination towards its other core business segments, VHL planned to sell its entire stake to Ananda group. Ananda Group in September 2020 took over the 30.27 percent stake of VHL. Ananda group is an long-standing established and renowned group in agro based industry with a gross turnover of around Rs.1,005 Cr (FY20). VHL on the other hand was a diversified company with interests in renewable power generation, infrastructure development, storage of agricultural produce and other agro-related business. Ananda Group (consisting of Ananda Enterprises India Private Limited, Ananda Aqua export Private Limited and Godavari Mega Aqua Food Park Private Limited) is one of the founding members of aquaculture in the state of Andhra Pradesh with group operations starting in 1990's. Ananda Group is a Bhimavaram (Andhra Pradesh) based group comprising various entities engaged in agro and aqua culture activities for the last five decades such as pisciculture, shrimp and

fish processing, seafood trading, hatcheries, poultry, and other agro processing activities like rice processing. The group is accredited with certifications from Hazard Analysis Critical Control Point (HACCP), regulated by United States Food and Drug Administration (USFDA), BRC (British Retail Consortium) Global Standard for Food Safety certification and is certified by European Union (EU).

Ananda group promoters' acquired VHL's stake and took over the management control sighting merits like IMFPL's owning an established and operational mega food park in geographically diversified location of Madhya Pradesh, presence in agri-rich zone of MP ensuring adequate demand of agri-products, superior infrastructure, and most importantly a source of backward integration.

With long term plans of buying stake in IMFPL, Ananda group and its promoters started providing tangible support to IMFPL before it finally took over the stake in September 2020. The same is visible in its increasing revenue and unsecured loans. The promoters of the group have been continuously supporting the operations of the company by infusing funds into the business in the form of unsecured loans. The unsecured loans stood at Rs.31.74 Cr and Rs.28.55 Cr as on March 31, 2021 (Provisional) and 2020, respectively. Out of this, Rs.20 Cr has been considered as quasi equity as the same are non-interest bearing, subordinated to bank debt and are expected to remain in the business over the longer run. Moreover, the group as a part of its backward integration strategy, routes the feed, seafood and veggies processing activity through IMFPL due to location advantages. This has aided IMFPL's scale to improve from Rs.15.19 Cr in FY2019 to Rs.73.64 Cr in FY2020 and Rs.84.91 Cr in FY2021 (Provisional). From FY2020, IMFPL started selling the processed feed to Ananda Group, which contributed to around 45 percent of sales proportion of IMFPL. The profitability margins of the company remained moderate at 11.84 percent in FY2021 (Provisional) as against 14.86 percent in FY2020. The PAT margins stood at 2.58 percent in FY2021 (Provisional) as against 2.07 percent in FY2020. The improvement in PAT margin is on account of decline in interest expense due to decline in total debt levels. With the support of the group, the company is not relying on any external-term debt to fund its working capital cycle. Acuité believes that IMFPL now being equally and strategically important to Ananda group will continue to receive tangible support enabling growth in its operations metrics.

- **Demand driven model with adequate facilities and presence in agri-rich zones**

IMFPL is a demand driven model with strong backward/forward integration linkages and sustainable supply chain. The objective of the company is to facilitate the establishment of the integrated value chain, with processing being as its core function. The supply chain is established on farm primary processing centre and collection centres for aggregation of the produce at village level, which would be linked to the central processing centre through appropriate produce aggregation facility and adequate transport. The radius zone is around 100-150 kms from the Central Processing Centre. The company also has farm land spread over 80 acres under cultivation. The Company has a dry warehouse storage facility of 50,000MTPA, cold storage facility of 10,000MTPA, IQF line of 2.5 TPH and 2000 MTPA along with extrusion cooking line with capacity of 2 TPH. The catchment area of the project includes Kargone, Dhar, Khandwa, Dewas, and Indore districts of MP. These areas are said to have abundant supply of potatoes and chillies and is amongst the highest growing areas of chillies in the country. The region is also rich in cultivation of soya, wheat and other grains. These are expected to provide adequate demand for IMFPL over the medium term. The IQF line is one of the very few facilities available in India which is majorly used for peas. Acuité believes that IMFPL will continue to derive benefits from its adequate and superior facilities located strategically in the agri-rich zones of Madhya Pradesh.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the company has remained moderate with moderate capital structure and debt protection metrics. The networth of the company stood at Rs.34.78 Cr as on March 31, 2021 (Provisional) as against Rs.32.59 Cr as on March 31, 2020. Gearing (Debt-to-Equity) ratio stood at 1.32 times as on March 31, 2021 (Provisional) as against 1.47 times as on March 31, 2020. Gearing improved marginally on account of marginal decline in total debt levels owing to decline in long term loan due to repayment and marginal improvement in networth levels. Debt protection metrics; Interest Coverage Ratio and Debt Service Coverage Ratio stood at 2.51 times and 1.06 times as on March 31, 2021 (Provisional) as against 2.21 times and 1.21 times as on March 31, 2020, respectively. TOL/TNW stood at 1.70 times and 1.94 times as on March 31, 2021 (Provisional) and 2020 respectively. Acuité believes that financial risk profile of the company is expected to remain moderate owing to moderate accretion to reserves in the medium term.

- **Moderate working capital management**

The working capital management of the company stood moderate with moderate GCA days of

108 days and 121 days as on March 31, 2021 (Provisional) and 2020, respectively. Inventory days stood at 92 days and 109 days as on March 31, 2021 (Provisional) and 2020 respectively. The debtor days stood at 16 days and 19 days as on March 31, 2021 (Provisional) and 2020 respectively. The creditor days are bit high at 105 days and 145 days as on March 31, 2021 (Provisional) and 2020 respectively. As the company doesn't have any working capital limits they are leveraging on the payables. Acuité believes that IMFPL's working capital cycle will remain moderate over the medium term.

Rating Sensitivities

- Lower-than-expected revenue and profitability
- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity

Liquidity Position: Adequate

The liquidity position of the company has remained adequate with adequate net cash accruals to service debt obligations. The company has generated cash accruals of Rs.5.30 Cr in FY2021 (Provisional) as against the repayment obligation of Rs.4.75 Cr. for the same period. The cash accruals of the firm expected to be Rs.7.00-11.00 Cr for FY2022-2024 as against the repayment of Rs.5.90-9.10 Cr for the same period. Current ratio of the company stood below unity at 0.94 times as on March 31, 2021 (Provisional). The low current ratio is on account of high payables as the company is not relying on external short-term fund based limits to manage its working capital cycle. Cash and Bank balance stood at Rs.0.92 Cr as on March 31, 2021 (Provisional). The liquidity is also supported by prompt and timely term loan repayments by the company since January 2020 augmented by instances of prepayments too. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals.

Outlook: Stable

Acuité believes that IMFPL will continue to benefit over the medium term due to its experienced management and established relationships with its suppliers and customers. The outlook may be revised to 'Positive', in case of higher-than-expected revenues and profitability with improvement in working capital management and liquidity. Conversely, the outlook may be revised to 'Negative' in case IMFPL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or any major debt-funded capex plan leads to deterioration in its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	84.91	73.64
PAT	Rs. Cr.	2.19	1.53
PAT Margin	(%)	2.58	2.07
Total Debt/Tangible Net Worth	Times	1.32	1.47
PBDIT/Interest	Times	2.51	2.21

Status of non-cooperation with previous CRA (if applicable)

ICRA, vide its press release dated January 22, 2021 has denoted the rating of Indus Mega Food Park Private Limited as 'ICRA D (ISSUER NOT COOPERATING)' on account of lack of adequate information required for monitoring of ratings.

Any Material Covenants

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	April 2013	14.50	Dec 2025	22.05	ACUITE BB/Stable (Assigned)
Term Loan	Sept 2016	14.50	June 2025	11.14	ACUITE BB/Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.81	ACUITE BB/Stable (Assigned)

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About Acuité Ratings & Research:

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