CREDIT RATING REPORT

MARCH 2023

Ajooni Biotech Limited

Instrument Rated	
Total Bank Loan Facilities Rated	**Rs.10 Crore**
Long Term Rating	**CRISIL BB/Stable (Assigned)**
Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.	
1 crore = 10 million	
Refer to Annexure for Details of Instruments & Bank Facilities	

Rating History			
Date	**Long Term Rating**	**Short Term Rating**	**Rating Watch/Outlook**
Feb 2, 2023	CRISIL BB	--	Stable

Detailed rationale

CRISIL Ratings has assigned its '**CRISIL BB/Stable**' rating to the long-term bank facilities of Ajooni Biotech Limited (ABL).

The rating reflects the extensive experience of the promoter, established customer relationships and moderate financial risk profile. Operating income improved to Rs 74 crore in fiscal 2022 on the back of growing brand presence and improved demand. The company booked revenue of only Rs 22.6 crore in the first-half of fiscal 2023 due to the industry-wide impact of lumpy skin disease; sales are expected at Rs 50 crore in fiscal 2023. Improvement in business risk profile and moderation in the impact of the ongoing disease will remain key monitorables over the medium term. Revenue from own brand sales was around Rs 10 crore in fiscal 2023 and healthy growth is expected from this business segment over the medium term. Networth was moderate at Rs 16.3 crore as on March 31, 2022, and is estimated above Rs 39.8 crore as on March 31, 2023, due to additional capital raised through rights share issue in December 2022.

These strengths are partially offset by vulnerability to risks inherent in the industry, modest scale of operations and large working capital requirement.

Rating Drivers

Strengths

Extensive experience of the promoter and established customer relationships
Moderate financial risk profile

Weaknesses

Susceptibility to fluctuations in raw material prices
Modest scale of operations

Outlook: Stable

The company will continue to benefit from the extensive experience of its promoter and established relationships with clients

Rating sensitivity factors
Upward factors
* Sustained improvement in turnover to more than Rs 80 crore and steady operating margin leading to net cash accrual of more than Rs 3 crore
* Sustenance of financial risk profile with gearing below 1 time

Downward factors
* Decline in revenue by more than 25% and fall in operating margin below 4% resulting in lower-than-expected net cash accrual
* Large, debt-funded capital expenditure weakening capital structure

About the company
ABL was incorporated in February 2010 and is promoted by Mr Jasjot Singh (chairman and managing director). It manufactures a variety of compound animal feed such as cattle feed, cattle feed chips, camel feed, cotton oil cake, mustard oil cake and a wide range of feed supplements. Facilities in Khanna, Punjab, have total installed capacity of 60,000 MTPA. The company is listed on the National Stock Exchange.

The ratings reflect the following strengths:

Extensive experience of the promoter and established customer relationships: Presence of more than a decade in the animal feed segment has enabled the promoter to develop a strong understanding of market dynamics and establish healthy relationships with suppliers and customers. ABL also entered into an agreement with Indian Farmers Fertiliser Cooperative Ltd (IFFCO, rated 'CRISIL AA+/Stable/CRISIL A1+') in March 2020 to produce IFFCO branded animal feed.

Moderate financial risk profile: Limited reliance on external funds led to a strong gearing of 0.3 time and healthy total outside liabilities to tangible networth ratio of 0.74 time as on March 31, 2022; the ratios are expected to be around 0.15 time and 0.2 time, respectively, as on March 31, 2023. Debt protection metrics were also comfortable with interest coverage and net cash accrual to total debt ratios of 5.50 times and 0.38 time, respectively, for fiscal 2022; the ratios are likely to be around 5.25 times and 0.4 time, respectively, for fiscal 2023.

The above strengths are partially offset by the following weaknesses:

Susceptibility to fluctuations in raw material prices: Operating margin remains volatile (2.8-4% in the three fiscals through 2022) because of fluctuations in the prices of key raw materials (de-oiled rice bran, maze, bran and mustard). Furthermore, ability to pass on any increase in input prices to customers is limited on account of high fragmentation. However, margin has improved in fiscal 2023 with better absorption of fixed costs following ramp-up in scale and is likely to be 5.5-6% over the medium term. Sustaining profitability at this level will remain a key monitorable over the medium term.

Modest scale of operations: Operating income is expected to decline to around Rs 50 crore in fiscal 2023 from Rs 74 crore in fiscal 2022 due to the impact of the lumpy skin disease on the animal feed industry. However, revenue is expected to improve in fiscal 2024 to 2022 levels as the impact of the disease softens.

Liquidity: Adequate
Bank limit utilisation was moderate at 46.5% for the 13 months through December 2022. Cash accrual is expected to be over Rs 1.75-2 crore against term debt obligation of Rs 0.95 crore per annum, over the medium term. Current ratio was healthy at 2.22 times as on March 31, 2022. Healthy gearing and moderate networth support financial flexibility and provide the financial cushion to withstand any adverse condition or downturn in the business.

Financial policy
The financial policy is conservative, as reflected in TOLANW ratio of 0.74 times as on March 31, 2022.

Derivatives
The company neither has any foreign exchange exposure nor dealings in derivatives.

Key Financial Indicators (Standalone)

As on for the year ended March 31	Unit	2022	2021	2020
		Actuals	**Actuals**	**Actuals**
Net Sales	Rs Crore	74	51	40
Operating Income	Rs Crore	74	51	40
OPBDIT	Rs Crore	3	2	1
PAT	Rs Crore	1	0	0
Net Cash Accruals	Rs Crore	2	1	1
Equity Share Capital	Rs Crore	10	10	8
Adjusted Networth	Rs Crore	16	16	16
Adjusted Debt	Rs Crore	5	7	5
OPBDIT Margins	%	4.0	3.0	2.8
Net Profit Margins	%	1.4	0.7	0.9
ROCE	%	9.1	5.1	7.8
PBDIT / Int. & Finance Charges	Times	5.50	2.61	3.54
Net Cash Accruals / Adjusted Debt	Times	0.38	0.12	0.14
Adjusted Debt / Adjusted Networth	Times	0.33	0.43	0.32
Adjusted Debt / PBDIT	Times	1.80	4.45	4.33
Current Ratio	Times	2.22	2.06	3.00
Cashflow from operations	Rs Crore	3	0	-15
TOL/ ANW	Times	0.74	0.77	0.44
Operating Income/Gross Block	Times	10.46	11.84	24.05
Gross Current Assets days	Days	107	152	160
Debtor Days	Days	68	98	115
Inventory Days	Days	30	40	31
Creditor Days	Days	38	45	18

Notes to Financial Performance (Standalone)

Ratios	Unit	2022	2021	2020
		Actual	**Actual**	**Actual**
Investment or loans and advances to subsidiaries	Crore	00.00	00.00	00.00
Interest accrued and due	Crore	00.00	00.00	00.00
Contingent Liabilities (more than 10% of networth)	Crore	00.00	00.00	00.00
Debtors Greater than 6months	Crore	07.27	00.00	02.59

Annexure 1: Bank-Details of Facility Classes

1.Cash Credit

#	Bank	Amount (Rs.Cr.)	Rating
a.	HDFC Bank Limited	6.7	CRISIL BB / Stable
-	Total	6.7	-

2.Term Loan

#	Bank	Amount (Rs.Cr.)	Rating
a.	HDFC Bank Limited	2.3	CRISIL BB / Stable
-	Total	2.3	-

3.Proposed Long Term Bank Loan Facility

#	Bank	Amount (Rs.Cr.)	Rating
a.		1	CRISIL BB / Stable
-	Total	1	-