CareEdge RATINGS

Anaven LLP

March 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	30.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE BBB+; Stable
Long-term / short-term bank facilities	11.50	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE BBB+; Stable / CARE A2
Short-term bank facilities	1.00	CARE A4+; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Downgraded from CARE A2

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has been seeking information from Anaven LLP (Anaven) to monitor ratings vide email communications/letters dated February 25, 2025, and February 26, 2025, and numerous phone calls. However, despite our repeated requests, the company has not provided requisite information for monitoring ratings. In line with the extant Securities and Exchange Board of India (SEBI) guidelines, CARE Ratings has reviewed the rating based on the best available information, which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. Ratings on Anaven's bank facilities will now be denoted as **CARE BB+; Stable/CARE A4+; ISSUER NOT COOPERATING***.

Users of these ratings (including investors, lenders, and public at large) are hence requested to exercise caution while using above ratings.

The revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as noncooperative for more than 6 months, then the Credit rating agency (CRA) shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

Ratings have been revised on account of lack of substantial information on operational and financial performance, clarity on future growth strategy and inability to monitor the performance of the company which is critical for assessing the credit profile of the company. Ratings continue to remain constrained by Anaven's single product with its small size of operations at full-capacity utilisation, marketing risk associated with part of the production, susceptibility of its profitability to volatility in raw material and finished good prices, working capital intensive nature of its operations, and inherent risks of being present in the chemical industry entailing compliance with stringent environment and fire safety norms.

Ratings were also constrained by the significant deterioration in the financial performance in FY24 (provisional; refers to April 01 to March 31) with LLP incurring operating losses and cash losses due to substantial reduction in sales volume and realisation, without commensurate reduction in raw material cost. Capacity utilisation (CU) reduced from 63% in FY23 to 38% in FY24 due to high channel inventory and slowdown across the industry resulting in significant under absorption of fixed overheads.

Ratings continue to derive strength from its strong parentage, being a joint venture (JV) of Atul Finserv Limited, which is a wholly owned subsidiary of Atul Ltd (Atul, rated 'CARE AA+; Stable / CARE A1+') and Nouryon Chemical International B.V. (Nouryon, erstwhile Akzo Nobel Chemicals International B.V.), which is a JV between leading global asset management/investment firms - Carlyle Group and GIC Private Limited. Ratings are further underpinned by the long-standing track record of Nouryon and Atul in diversified chemical businesses; global leadership position of Nouryon in MonoChloro Acetic Acid (MCA; the chemical manufactured by Anaven) and its eco-friendly patented hydrogenation technology and operational synergies with Atul (in whose premises Anaven's plant is built) for meeting large part of its input requirement and for selling a part of its end-product to it.

Analytical approach: **Standalone** along with factoring linkages with its strong JV partners (Nouryon and Atul). Both Nouryon and Atul have strong financial risk profile and flexibility to meet exigencies.

Outlook: Stable

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

At the time of last rating on September 04, 2024, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):

Key strengths

Strong parentage of Anaven

Anaven is an equal JV between Nouryon Chemical International B. V. and Atul Finserv Limited. Nouryon's product portfolio includes cellulosic, salt, organic peroxides, chlor-alkali, bleaching chemicals, expandable microspheres and surfactants, which has wide application in industries including paper, plastics, building materials, food, pharmaceuticals, and personal care. Nouryon is the world's largest producer of MCA having total market share of around 27% and capacity of 262,000 MTPA (including capacity of Anaven) backed by its patented hydrogenation technology.

Atul has one of the biggest integrated chemical complexes in Asia with a well-diversified product portfolio of around 900 products and 400 formulations divided into two broad segments, Life Science Chemicals (LSC) and Performance & Other Chemicals (POC) catering to the requirement of diversified industries such as textile, paints, agriculture, fragrance & flavours, tyre, paper, pharmaceutical, aerospace, and construction, among others. Of the two segments, contribution of POC in net sales stood at 70% in FY24, wherein polymers, aromatics and colours are major contributors, while that of LSC stood at 30% of the net sales, wherein crop protection segment is the major contributor. In FY24, Atul earned profit before interest, lease rentals, depreciation, and taxation (PBILDT) of ₹646.39 crore on a total operating income (TOI) of ₹4,725.68 crore on consolidated level.

Professional and competent personnel on Managing Board

Anaven's Managing Board consists of six members, of whom two members are appointed from Nouryon and two members from Atul. Vivek Gadre is the Chairman of the Managing Board of Anaven. There are two designated partners, one from each of JV partners. Sobers Sethi is the designated partner from Nouryon. He is the Senior Vice President for Emerging markets & China of Nouryon and has more than two decades of experience in chemical industry. T.R. Gopi Kannan (Executive Director of Atul) is also a designated partner, having an experience of more than 25 years in finance and accounting. The four members of the Managing Board also have extensive experience in chemical industry. Likewise, key positions in Anaven have been filled up with personnel having vast experience in their respective areas of work.

Plant's strategic location and its operational synergy with Atul

Anaven's MCA plant is within the premises of the Valsad plant of Atul Limited and it acts as a forward and backward integration for Atul's operations. Anaven's production plant has connection via pipeline for supply of its other raw materials, caustic, chlorine, and hydrogen, which are an output of Atul's existing operations. Also, steam required for manufacturing MCA is provided by Atul. MCA is produced by deploying the eco-friendly hydrogenation technology of Nouryon. With all necessary approvals from Gujarat Pollution Control Board (GPCB) for effluent treatment, Anaven has also setup zero-discharge Effluent Treatment Plant (ETP) as a part of its project. Though there is no formal off-take agreement signed with Atul, it has articulated to source its entire requirement of MCA for manufacturing 2, 4-dichlorophenoxyacetic acid (2,4-D; a product of its crop protection division) from Anaven. Similarly, Nouryon and its affiliates have articulated to purchase MCA from Anaven for its onwards sales in India. Moreover, apart from 2,4-D, MCA finds application in other agrochemicals and other industries such as pharmaceuticals and surfactants. Also, Anaven has installed an additional flaker, which converts liquid MCA into flakes, making it easy for third-party sale. in FY24, out of total sales of Anaven, nearly 65% was to Atul, while balance was sold to the Nouryon group.

MCA being a niche product with limited number of producers in India

MCA is majorly consumed in manufacturing carboxymethyl cellulose (CMC), which has wide range of application including in food, coatings, and textile among others. In pharmaceutical segment, MCA is majorly used to manufacture Ibuprofen, Naproxen, and Diclofenac, for which India is a major producer with strong demand outlook. Also, demand from surfactants has increased with increase in per capita usage of soap and disinfectant due to COVID-19 pandemic. Also, MCA is an important intermediate used to manufacture agrochemicals such as glycine and 2,4-D herbicide. There are few players for manufacturing MCA in India which is expected to provide an edge to Anaven.

Comfortable capital structure

Anaven achieved COD for its greenfield project on March 10, 2021. Post completion of the project, term loan from banks was prepaid through infusion of secured loan by both JV partners leading to low reliance on external debt (only to the extent of its working capital requirement). Accordingly, its capital structure stood comfortable.

Key weaknesses

Single product dependence and envisaged small size of Anaven's operations at full capacity utilisation

As Anaven has been set-up to manufacture only MCA, its prospects largely depend on the demand for this single product which has relatively moderate industry size globally. Anaven's installed capacity currently stood at 32,000 MTPA with TOI of ₹72.49 crore in FY24 (₹183.01 crore in FY23), depicting small scale of its operations. Its dependence on single product significantly impacted its performance in FY24 due to demand slowdown.

Subdued operational and financial performance in FY24

In FY24, Anaven's TOI declined by around 60% to ₹72.49 crore due to lower off-take (CU reduced from 63% in FY23 to 38% in FY24) and substantial decline in average sales realisation (average realisation reduced by 39%). Average purchase price of major raw material, acetic acid reduced by only 19% in FY24. Lower TOI and under absorption of fixed overheads led to operating loss and net loss in FY24. High channel inventory and slowdown across the industry led to such weak operating and financial performances for FY24. However, the financial performance is expected to gradually improve going forward with revival in month-on-month off-take from Atul Ltd, a major customer, and process improvement measures undertaken at the plant.

Susceptibility to raw material price volatility and finished goods prices

Raw material cost forms substantial portion of the firm's cost structure, wherein acetic acid is one of the key raw materials required for MCA production. Being commodity in nature, acetic acid prices have remained highly volatile over the years. In FY24, acetic acid prices moderated although not proportionately, whereas other raw materials such as caustic chlorine and hydrogen are being supplied by Atul Ltd which results in saving in logistics cost and provides competitive advantage to Anaven. Moreover, MCA realisations reduced drastically to ₹56 per kg in FY24 from ₹92 per kg in FY23. Anaven's ability to pass on sharp increase in cost to its customers in a timely manner shall be a key rating monitorable.

Working capital intensive operations, though largely funded by internal accruals

Anaven's operations are working capital intensive in nature. It is used to procure its major raw material, acetic acid (which consists major portion of the total raw material consumption) from Nouryon's global vendors initially, which is now being partly procured from domestic suppliers. The LLP needs to maintain an adequate amount of inventory. However, balance raw materials are largely procured from Atul Limited. With part of its inventory and debtors, funded by creditors, Anaven's operating cycle stood at 66 days in FY24. Its non-fund-based working capital limit utilisation stood at around 26% which majorly pertained to procurement of its raw materials.

Presence in chemical industry entailing compliance with stringent environment and fire safety norms

Anaven's operations are subject to stringent environment-related regulatory compliances. Also, pollution-related norms are evolving daily in India. Accordingly, continuous adherence to defined pollution control norms are mandatory for its seamless operations. Anaven produces MCA by deploying the eco-friendly hydrogenation technology of Nouryon. With necessary approvals in place from GPCB for effluent treatment, Anaven has also setup zero discharge ETP. Anaven's plant is within manufacturing facilities of Atul, which has a track record of regularly incurring large capex for being compliant with defined pollution control norms and it has not encountered major adverse observations / closure notice from pollution control departments for a long period of time. This apart, presence in the chemical industry exposes Anaven to inherent risks of accidental fire.

Applicable criteria

Issuer non-cooperation
Policy on default recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Rating Outlook and Rating Watch
Short Term Instruments
Manufacturing Companies

About the company and industry

Industry classification

Macroeconomic Indicator	Sector	Industry	Basic Industry
Commodities	Chemicals	Chemicals & petrochemicals	Commodity chemicals

Anaven is a limited liability partnership firm and a JV incorporated to manufacture MCA. Anaven is jointly promoted by Nouryon (50%) and Atul Finserv Limited (50%), which is a wholly owned subsidiary of Atul.
Its greenfield project achieved COD on March 10, 2021, at a total cost of around ₹263 crore for manufacturing MCA with an installed capacity of 32,000 metric tonne per annum (MTPA), expandable up to 60,000 MTPA.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)
Total operating income	183.01	72.49
PBILDT	38.81	-13.75
PAT	1.47	-50.97
Overall gearing (times)	0.96	1.54
Interest coverage (times)	3.25	NM

A: Audited; NM: Not meaningful; Note: these are latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated facility: Annexure-3

Complexity level of facilities rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	11.50	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Loan Equivalent Risk		-	-	-	1.00	CARE A4+; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based-Long Term	LT	-	-	-	-	-	1)Withdrawn (06-Jul-21)
2	Fund-based - LT-Cash Credit	LT	30.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (04-Sep-24) 2)CARE BBB+; Stable (09-May-24)	1)CARE A; Stable (20-Sep-23)	1)CARE A; Stable (01-Aug-22)	1)CARE A; Stable (06-Jul-21)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	11.50	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	1)CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING* (04-Sep-24) 2)CARE BBB+; Stable / CARE A2 (09-May-24)	1)CARE A; Stable / CARE A1 (20-Sep-23)	1)CARE A; Stable / CARE A1 (01-Aug-22)	1)CARE A; Stable / CARE A1 (06-Jul-21)
4	Non-fund-based - ST-Loan Equivalent Risk	ST	1.00	CARE A4+; ISSUER NOT COOPERATING*	1)CARE A2; ISSUER NOT COOPERATING* (04-Sep-24) 2)CARE A2 (09-May-24)	1)CARE A1 (20-Sep-23)	1)CARE A1 (01-Aug-22)	1)CARE A1 (06-Jul-21)

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Loan Equivalent Risk	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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