FEBRUARY 20, 2015

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF ANIK INDUSTRIES LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	215.92 (reduced from 234.55)	**CARE BBB (Triple B)**	Reaffirmed
Short-term Bank Facilities	518.65 (enhanced from 504.65)	**CARE A3+ (A Three Plus)**	Reaffirmed
Total facilities	**734.57**		

Rating Rationale

The ratings of Anik Industries Limited (AIL) continue to take into account its established position, growing scale and stable profitability in the dairy segment and its operational synergies being part of the Ruchi group, a leading player in agro-commodities having well-established distribution network and extensive experience in trading.

The ratings factor in significant decline in profitability from trading segment in FY14 (refers to the period April 1 to March 31), albeit the company-wide profitability was largely salvaged by monetization of land. The ratings also factor in deterioration in AIL's overall gearing mainly on account of higher letter of credit backed purchases for trading.

The ratings also factor in a gradual decline in the share of trading income, albeit continue to remain constrained by the commodity-price risk and forex risk associated with this segment. The ratings also continue to be constrained by inherent seasonality and milk supply risks in dairy segment.

AIL's ability to further expand and geographically diversify its dairy portfolio and milk supply network, restrict its trading operations and improve profitability and overall gearing would be the key rating sensitivities. Further, the extent of investment in unrelated fields of business activities would also be the key rating monitorables.

Background

Setup in 1976, AIL is a part of the Indore based Ruchi group, after the group acquired controlling stake in 1992 from AIL's erstwhile promoters. AIL is engaged in the processing of milk and milk products alongwith undertaking opportunity based commodity trading.

AIL markets its products, mainly ghee and milk powder, under the brand name 'Anik', which was originally launched by Hindustan Unilever Ltd in 1964 and was subsequently taken over by Ruchi group in 2004. Other dairy products, including pouched milk, are marketed under the brand name 'Sourabh'.

AIL had an aggregate milk processing capacity of 2.91 lakh kilo litres per annum (LKLPA) as on March 31, 2014 from its plants at Dewas and Bhopal in Madhya Pradesh (MP) and Etah in Uttar Pradesh (UP). It also has a wind power generation capacity of 1.85 megawatt (MW) from its plants at Jaisalmer in Rajasthan and Dewas.

The dairy segment contributed 60% of AIL's total operating income in FY14 while the commodity trading and others contributed the balance 40%.

As per the audited results for FY14 (refers to the period April 1 to March 31), AIL registered a total operating income of Rs.1,470 crore with a profit after tax (PAT) of Rs.11 crore as against a total operating income of Rs.1,300 crore and a PAT of Rs.11 crore in FY13.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

As per the provisional results for H1FY15 (refers to the period April 1 to September 30), AIL registered a total operating income of Rs.721 crore with a profit after tax (PAT) of Rs.5 crore as against a total operating income of Rs.702 crore and a PAT of Rs.4 crore in H1FY14.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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