

MAY 26, 2016

CARE PLACES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF ANIK INDUSTRIES LTD UNDER 'CREDIT WATCH'

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	182.70	CARE BBB- (Triple B Minus) (Credit Watch)	Placed on credit watch
Short term Bank Facilities	543.65	CARE A3 (A Three) (Credit Watch)	Placed on credit watch
Total facilities	726.35 (Rupees Seven Hundred Twenty Six crore and Thirty Five lakh only)		

Rating Rationale

CARE has placed the ratings assigned to the bank facilities of Anik Industries Ltd (AIL) under 'credit watch' on account of the proposed sale and transfer of its entire dairy business, which includes all its three dairy plants located at Dewas and Bhopal in Madhya Pradesh and Etah in Uttar Pradesh, to M/s. B.S.A. International S.A., Belgium or its affiliates on a going concern basis.

CARE is in the process of evaluating the impact of the same on the credit profile of AIL and has sought necessary information/clarification from the company. CARE will take a view on the ratings of AIL once the exact implications of the above mentioned matter on AIL's credit risk profile become clear.

AIL's present ratings continue to take into account its established position in the dairy segment, its operational synergies with Ruchi group, a leading player in agro-commodities with well-established distribution network and its stable financial leverage.

The present ratings, however, continue to remain constrained by the commodity-price risk and forex risk associated with the trading segment, high working capital intensity of trading operations and inherent seasonality associated with milk supply in dairy segment.

Background

AIL is a part of the Indore based Ruchi group and is engaged in the processing of milk and milk products (comprising 81% of its total operating income in 9MFY16) and commodity trading (19%). AIL markets its dairy products such as 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, 2015 from its plants at Dewas and Bhopal in Madhya Pradesh (MP) and Etah in Uttar Pradesh (UP).

As per the audited results for FY15, AIL registered a total operating income of Rs.1,495 crore with a profit after tax of Rs.10 crore as against a total operating income of Rs.1,470 crore and profit after tax Rs.11 crore in FY14.

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

As per the provisional results of 9MFY16, AIL registered a total operating income of Rs.1,156 crore with a profit after tax of Rs.4 crore as against a total operating income of Rs.1,009 crore and profit after tax Rs.6 crore in 9MFY15.

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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.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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