NOVEMBER 02, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF ANIK INDUSTRIES LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	215.92	**CARE BBB- (Triple B Minus)**	Revised from CARE BBB (Triple B)
Short term Bank Facilities	518.65	**CARE A3 (A Three)**	Revised from CARE A3+ (A Three Plus)
Total facilities	**734.57 (Rupees Seven Hundred Thirty Four crore and Fifty Seven lac only)**		

Rating Rationale

The revision in the ratings of Anik Industries Limited (AIL) takes into account a few instances of overdrawings in cash credit account in trading segment due to decline in prices of commodities traded, one of the major risks inherent to trading operations with unhedged price risk. The account remained overdrawn to the extent up to 19 days up on devolvement of Letter of Credits (LCs) between May 2015 and July 2015.

The ratings, however, continue to take into account AIL's established position in the dairy segment and its operational synergies with Ruchi group, a leading player in agro-commodities with well-established distribution network. The ratings also factors continued increase in AIL's scale of dairy business and its high but stable overall gearing.

The ratings continue to remain constrained by the commodity-price risk and forex risk associated with the trading segment and inherent seasonality and milk supply risks associated with the dairy segment.

AIL's ability to efficiently manage its working capital requirements while restricting its trading business, further expand and geographically diversify its dairy portfolio and milk supply network, and improve profitability and overall gearing shall be the key rating sensitivities. Further, the extent of investment in unrelated fields of business activities shall 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, 2015 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 68% of AIL's total operating income in FY15 while the commodity trading and others contributed the balance 32%.

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

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.

As per the provisional results of Q1FY16, AIL registered a total operating income of Rs.345 crore with a profit after tax of Rs.2 crore as against a total operating income of Rs.370 crore and profit after tax Rs.4 crore in Q1FY15.

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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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