

December 24, 2015

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

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	182.70 (reduced from 215.92)	CARE BBB- (Triple B Minus)	Reaffirmed
Short term Bank Facilities	543.65 (enhanced from 518.65)	CARE A3 (A Three)	Reaffirmed
Total facilities	726.35 (Rupees Seven Hundred Twenty Six crore and Thirty Five lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Anik Industries Limited (AIL) 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 in continued increase in AIL's scale of dairy business and its stable overall gearing.

The ratings, however, continue to remain constrained by the commodity-price risk and forex risk associated with the trading segment, which resulted in an increase in working capital intensity of AIL's trading operations, alongwith 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

AIL is a part of the Indore based Ruchi group and is engaged in the processing of milk and milk products (78% of its total operating income in FY15) and commodity trading (22%).

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 (LKLP) as on March 31, 2015 from its plants at Dewas and Bhopal in Madhya Pradesh (MP) and Etah in Uttar Pradesh (UP).

The dairy segment contributed 68% of AIL's total operating income in FY15 while the commodity trading and others contributed the balance 32%.

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 H1FY16, AIL registered a total operating income of Rs.761 crore with a profit after tax of Rs.3 crore as against a total operating income of Rs.721 crore and profit after tax Rs.5 crore in H1FY15.

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

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

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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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CIN - L67190MH1993PLC071691