CARE Ratings
Professional Risk Opinion

Anik Industries Limited

March 15, 2019

Ratings

Facilities	Amount (Rs. Crore)	Ratings[1]	Remarks
Long term Bank Facilities	65.00	**CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)**	**Issuer not cooperating; on the basis of best available information; Revised from CARE BB+ (Double B Plus)and Removed from 'Credit watch with negative implications'**
Short term Bank Facilities	175.00	**CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)**	**Issuer not cooperating; on the basis of best available information; Removed from 'Credit watch with negative Implications'**
Total facilities	**240.00 (Rupees Two Hundred Forty Crore only)**		

Details of instruments / facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Anik Industries Limited (AIL) to monitor the rating vide e-mail communications dated January 02, 2019, February 12, 2019, February 26, 2019 and February 27, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided majority of the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, STL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in the ratings of AIL takes into account cash loss reported by the company during 9MFY19 (refers to the period October 01 to December 31) on account of operating losses in trading segment in Q3FY19; along with increased finance costs during the said period on account of elevated working capital borrowings. Cash losses along with increase in investments in the real estate segment during the aforesaid period resulted in moderate liquidity. Further, AIL has not submitted 'No Default' declaration for the past three months ended December 2018, January 2019 and February 2019. In the absence of non-submission of 'No Default' declaration, CARE could also not verify the regularity of the debt servicing of the company.

The ratings continue to be constrained by risks associated with volatile commodity prices and fluctuating forex rates in its trading business, project completion and salability risk associated with its real estate projects and its presence in cyclical & competitive real estate industry.

The ratings, however, continues to factor in experienced promoters comfortable gearing and healthy booking status of the on-going residential project 'One Rajarhat' in Kolkata.

The ability of AIL to increase its scale of operations, maintain its capital structure and improve profitability while operating in the volatile commodity trading segment by employing prudent hedging practices and timely completion of the real estate projects along with booking of the units at the envisaged price are the key rating sensitivities. This apart, extent of investments in associates / group entities and its source of funding shall also remain a key rating monitorable.

Detailed description of the key rating drivers

At the time of the last rating on February 14, 2019, following were the rating strengths and weaknesses (updated for unaudited financials for the quarter ended December 31, 2018, downloaded from Bombay Stock Exchange's website).

Key Rating Weaknesses

Moderate scale of operations with cash losses in in 9MFY19: Post sale of its dairy business segment in September 2016, AIL now primarily operates into two segments: commodity trading and real estate.

AIL has a moderate scale of operations with a TOI of around Rs.409.31 crore in 9MFY19 (Rs.422.30 crore in 9MFY18), which was largely registered from its trading business. With effect from April 01, 2018, the company has discontinued booking income from its real estate segment as per IND-AS accounting.

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

**Issuer did not cooperate; Based on best available information*

Profitability remains thin as inherent in the trading business; as indicated by a PBILDT margin of around 1-2% (loss during Q3FY19). Furthermore, with increase in interest costs during 9MFY19 on account of elevated working capital borrowings (including short term loans; largely utilised to pay-off the creditors) and operating loss in trading business during Q3FY19, AIL reported cash loss in 9MFY19. The company has also incurred losses in its unallocable segment, details of which are not available with CARE.

Increase in investments and moderate liquidity: Apart from the real estate project on its own books, the company has also invested in the real estate projects of its subsidiaries / associate entities, the amount of which has increased over last two years. Thus, dip in profitability and sizeable investments have resulted in a moderate liquidity. As on September 30, 2018, the company had a free cash and bank balance of around Rs.7 crore (which has further dipped as on December 31, 2018) as against cash and bank balance of over Rs.15 crore as on March 31, 2017.

Susceptibility of profitability to volatile raw material prices and foreign exchange fluctuation: The profitability of AIL is susceptible to volatility in the agro commodity prices and exchange rate fluctuations on imports. The prices of the traded products (such as soya seeds, edible oils and palm oil) have depicted volatility and are also subject to actions by various government instrumentalities.

Risk inherent to real estate sector: The real estate sector in India is highly fragmented with most of the real estate developers having a city-specific or region specific presence. The sector faces issues on various fronts such as subdued demand, floating interest rates, curtailed funding options, rising costs and restricted supply due to delays in approvals; thereby resulting in stress on cash flows.
Thus, the company remains exposed to risks associated with timely completion of the real estate projects undertaken on its own books and by its associated entities; in light of high competition in the segment and sizeable debt drawn for project completion.

Key Rating Strengths
Experienced promoters: The promoters of AIL have over three decades of experience in commodity trading. Mr. Manish Sahara, the joint managing director, has an experience of more than two decades of trading in agro-based commodities.

Comfortable leverage: The overall gearing stood comfortable at around 0.69x as on September 30, 2018 (0.66 times as on March 31, 2018 and 0.61 times as on March 31, 2017). However, the company has been sanctioned sizeable term loan for its real estate project, which may result in gradual elevation in debt levels.

Healthy advance booking from the real estate project: As on December 31, 2018, AIL has received a booking confirmation for over 50% (175 flats) of the total units under construction, for its Kolkata project. Till December 31, 2018, AIL had received Rs.109.76 Crore toward booking advance from its customers, which is over 50% of the sales price of the booked units.

Analytical approach: Standalone

Applicable Criteria
Policy in respect of Non-Cooperation by Issuer
Criteria on assigning outlook to credit ratings
Criteria for Short Term Instruments
CARE's policy on default recognition
Rating Methodology – Wholesale trading
Financial Ratios – Non-Financial Sector

About the Company
Incorporated in 1976, AIL is presently engaged in commodity trading and real-estate development, after sale of its dairy business segment in September 2016.
It trades in agro commodities such as edible oils, soya bean, wheat and other commodities such as coal, and also imports crude palm oil and resells the same in bulk after getting it refined through third party refineries.
In the real estate segment, AIL is developing a 'residential real estate project' in Kolkata, which is expected to be completed by December 2020.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	495.80	613.81
PBILDT	-92.19	8.48
PAT	36.39	13.84
Overall gearing (times)	0.61	0.66
Interest coverage (times)	NM	0.68

A: Audited; NM: Not meaningful
Loss in FY17 was mainly due to losses incurred in trading business along with sundry balances written off; pertaining both to dairy and trading segment.
The company has registered an income of Rs.409.31 Crore in 9MFY19.

Status of non-cooperation with previous CRA: Brickwork, vide its press release dated August 27, 2018, put the ratings assigned to AIL under issuer non-cooperative category in absence of requisite information from the company to carry out a review

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. cr)	Rating assigned along with Rating Outlook
Term Loan-Long Term#	-	-	March 2019	50.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+ (Under Credit watch with Negative Implications) on the basis of best available information
Fund-based-Long Term	-	-	-	15.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+ (Under Credit watch with Negative Implications) on the basis of best available information
Non-fund-based-Short Term	-	-	-	165.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Term Loan-Short Term	-	-	-	10.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

#Maturity date for part facility is March 2019; Balance amount is proposed
**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Term Loan-Long Term	LT	50.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+ (Under Credit watch with Negative Implications) on the basis of best available information	1)CARE BB+ (Under Credit watch with Negative Implications) (18-Feb-19) 2)CARE BB+; Stable (06-Apr-18)	-	1)CARE BB+; Stable (29-Mar-17) 2)CARE BBB- (Under Credit Watch) (26-May-16)	1)CARE BBB- (24-Dec-15) 2)CARE BBB- (02-Nov-15)
2.	Fund-based-Long Term	LT	15.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+ (Under Credit watch with Negative Implications) on the basis of best available information	1)CARE BB+ (Under Credit watch with Negative Implications) (18-Feb-19) 2)CARE BB+; Stable (06-Apr-18)	-	1)CARE BB+; Stable (29-Mar-17) 2)CARE BBB- (Under Credit Watch) (26-May-16)	1)CARE BBB- (24-Dec-15) 2)CARE BBB- (02-Nov-15)
3.	Non-fund-based-Short Term	ST	165.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE A4 (Under Credit watch with Negative Implications) (18-Feb-19) 2)CARE A4 (06-Apr-18)	-	1)CARE A4 (29-Mar-17) 2)CARE A3 (Under Credit Watch) (26-May-	1)CARE A3 (24-Dec-15) 2)CARE A3 (02-Nov-15)

							16)	
4.	Term Loan-Short Term	ST	10.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE A4 (Under Credit watch with Negative Implications) (18-Feb-19) 2)CARE A4 (06-Apr-18)	-	1)CARE A4 (29-Mar-17) 2)CARE A3 (Under Credit Watch) (26-May-16)	1)CARE A3 (24-Dec-15) 2)CARE A3 (02-Nov-15)

**Issuer did not cooperate; Based on best available information*

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