Anik Industries Limited
April 06, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	65.00 (reduced from Rs.94.00 crore)	**CARE BB+; Stable (Double B Plus; Outlook: Stable)**	**Reaffirmed**
Short term Bank Facilities	175.00	**CARE A4 (A Four)**	**Reaffirmed**
Total facilities	**240.00 (Rupees Two Hundred Forty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The ratings assigned to the bank facilities of Anik Industries Limited (AIL) continue to be constrained by the inherent risks associated with volatile commodity prices and fluctuating forex rates in its trading business and the project completion and saleability risk associated with its real estate projects which is in the nascent stage of implementation and cyclical and competitive real estate industry.

The ratings also takes into cognizance of losses at EBIDTA level during FY17 (refers to the period April 01 to March 31), discontinuation of steel and coal trading business, sale of established dairy business and writing off large debtors and bad-debt losses.

The ratings, however, continues to derive strength from the experienced promoters in the commodity trading business, growth in scale of operations, sustained improvement in liquidity profile by reducing the working capital bank borrowing and comfortable leverage profile & debt coverage indicators. The ratings further continues to favourably factor the healthy booking status of the ongoing residential project 'One Rajarhat' in Kolkata.

The ability of AIL to increase its scale of operations, maintain its comfortable capital structure and improve its profitability while operating in the volatile commodity trading segment by employing prudent hedging practices, along with timely booking of new units in its real estate projects are the key rating sensitivities. Further, the completion of the project within the envisaged time and cost parameters is also very crucial.

Detailed description of the key rating drivers

Key Rating Weakness

Susceptibility of profitability to volatile raw material prices and foreign exchange fluctuation

The profitability of AIL is susceptible to volatility in the crude palm oil prices and exchange rate fluctuations on imports. Further, the prices of the other traded products (soya seeds, edible oils, etc.) have also depicted volatility and are also subject to actions by various government instrumentalities. The company incurred loss at a PBILDT level in trading operations during FY17 due to decrease in sales realisation from the steel and coal products and increase in cost of other traded goods.

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 is facing issues on various fronts viz. subdued demand, floating interest rates, curtailed funding options, rising costs, restricted supply due to delays in approvals etc. thereby resulting in stress on cash flows.

Key Rating Strengths

Experienced promoters

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

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 commodity and wind mill operations.

Growth in scale of operations

AIL reported a y-o-y growth of 95.84% in its TOI to Rs. 498.33 from Rs. 254.45 crore in FY16 owing to increase in the trading business of soya bean seed and crude palm oil. As per the provisional results for 9MFY18, AIL reported TOI to Rs.422.30 crore (Rs.321.54 crore in 9MFY18) owing to higher trading sales. The PBILDT and PAT margin also improved during 9MFY18 on account of better realisation from the sale of agro commodities.

Comfortable leverage and debt coverage indicators and improvement in liquidity

The overall gearing stood comfortable at 0.61 times as on March 31, 2017 due to repayment of its entire sanctioned working capital borrowing limit of Rs.157.65 crore and unsecured loans of Rs.17.01 crore from the proceeds of the sale of dairy business. The fund based working capital utilisation has remained nil post October 2016. Total debt to GCA improved from 21.97 years in FY16 to 1.16 years in FY17. During 9MFY18, AIL availed a term loan of Rs. 35 crore for its real estate project.

Healthy advance booking from the real estate project

As on December 31, 2017, AIL has received a booking confirmation for approximately 29% (94 flats) of the total units under the project within 11 months of its launch. Till December 31, 2018, AIL had received Rs. 55.21 crore towards booking advance from its customers.

Analytical approach: Standalone

Applicable Criteria

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. Besides, AIL has also commenced development of a 'residential real estate project' in Kolkata, which is expected to be completed by December 2020.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	254.45	498.33
PBILDT	8.40	-ve
PAT	2.58	75.89
Overall gearing (times)	2.45	0.61
Interest coverage (times)	1.55	-ve

Status of non-cooperation with previous CRA: NA

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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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. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	NA	NA	March 2019	50.00	CARE BB+; Stable
Fund-based-Long Term	NA	NA	NA	15.00	CARE BB+; Stable
Non-fund-based-Short Term	NA	NA	NA	165.00	CARE A4
Term Loan-Short Term	NA	NA	NA	10.00	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/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 BB+; Stable	-	-	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 BB+; Stable	-	-	1)CARE BB+; Stable	1)CARE BBB- (24-Dec-15)

							(29-Mar-17) 2)CARE BBB- (Under Credit Watch) (26-May-16)	2)CARE BBB- (02-Nov-15)
3.	Non-fund-based-Short Term	ST	165.00	CARE A4	-	-	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)
4.	Term Loan-Short Term	ST	10.00	CARE A4	-	-	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)

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CIN - L67190MH1993PLC071691