Anik Industries Limited

July 09, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	65.00	CARE C; ISSUER NOT COOPERATING* (Single C; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*) on the basis of best available information
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
Total Facilities	240.00 (Rupees Two Hundred Forty crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 15, 2019, placed the rating(s) of Anik Industries Ltd. (AIL) under the 'Issuer Non-Cooperating' category as AIL had failed to provide information for monitoring of the ratings and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. AIL continues to be non-cooperative despite repeated requests for submission of information. 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.

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 assigned to the bank facilities of AIL is on account of deterioration in its liquidity due to cash loss reported in FY19 and almost full utilization of its working capital limits with some instances of over-drawal in the same during the last few months, as per feedback received from the lender.

Detailed description of the key rating drivers

At the time of last rating on March 15, 2019 the following were the rating strengths and weaknesses (updated for the published results available from Bombay Stock Exchange and feedback received from lenders):

Key Rating Weaknesses

Modest scale of operations with cash loss reported in FY19: Post sale of its dairy business in September 2016, AIL primarily operates into two segments: commodity trading and real estate. AIL had a moderate scale of operations with a TOI of around Rs.616.38 crore in FY19 (Rs.636.50 crore in FY18), which was largely registered from its trading business. AIL also reported a sizeable operating loss of Rs.22.22 crore in its trading business during FY19 which also resulted in cash loss during the period, as the profit from the real estate segment was not adequate to cover the loss in the trading business.

Increase in investments: 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.

Deterioration in liquidity: The operating loss reported by AIL along with continued sizeable investments has resulted in deterioration in its liquidity, translating into full utilization of its working capital limits with some instances of over-drawal in the same for around 2-3 days during the last few months.

Risk inherent to real estate sector: The real estate sector in India is highly fragmented as most of the real estate developers have a city or region specific presence. The sector is facing issues on various fronts such as subdued demand, interest rates fluctuations, curtailed funding options and rising costs; thereby resulting in stress on cash flows. AIL remains exposed to

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*
**Issuer did not cooperate; Based on best available information*

these sector specific risks along with others including timely completion of the real estate projects undertaken on its own books and by its associated entities and debt drawn for the same.

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

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.

Moderate leverage: AIL's overall gearing (excluding LC backed creditors / acceptances) stood comfortable at around 0.23x as on March 31, 2019 (0.16x as on March 31, 2018). However, AIL has received sanction of sizeable amount of term loan for its real estate project, which may result in gradual elevation in debt levels.

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 in September 2016. AIL trades in agro commodities such as edible oils, soya bean and wheat. It also engages in trading of other commodities such as coal and also imports crude palm oil and sells the same in bulk after getting it refined through third party refineries. In the real estate segment, AIL is developing a commercial cum residential real estate project in Kolkata, which is scheduled to be completed by December 2020.

Brief Financials (Rs. crore)	FY18 (A)	*FY19 (A)
Total operating income	636.50	616.38
PBILDT	30.64	(9.02)
PAT	13.84	(15.20)
Overall gearing (times)**	0.16	0.23
Interest coverage (times)	2.50	-ve

*A: Audited; *as per FY19 abridged financials published on BSE; -ve: Negative; ** excluding LC backed creditors/acceptances*
In respect of the provisional results for Q4FY19 and audited results for FY19, AIL's auditor has commented on the following matters, without qualifying the auditor's opinion on the same:

- With effect from quarter ending March 31, 2019, the company has changed its revenue recognition policy for its real estate business.
- AIL has made specific provision of Rs.14.42 crore and Rs.11.17 crore towards expected credit loss on its trade receivable and advances respectively. Considering the facts and circumstances of the case and the period for which the amounts are outstanding, the auditor is unable to comment on the adequacy of the provision made by the company.

Status of non-cooperation with previous CRA: Brickworks, vide its press release dated August 27, 2018, has placed the ratings for 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

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	-	-	March 2019	^50.00	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based-Long Term	-	-	-	15.00	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* 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
Working Capital Demand 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 Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Term Loan-Long Term	LT	50.00	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (15-Mar-19) 2)CARE BB+ (Under Credit watch with Negative Implications) (18-Feb-19) 3)CARE BB+; Stable (06-Apr-18)	-	1)CARE BB+; Stable (29-Mar-17) 2)CARE BBB- (Under Credit Watch) (26-May-16)
2.	Fund-based-Long Term	LT	15.00	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (15-Mar-19) 2)CARE BB+ (Under Credit watch with Negative Implications) (18-Feb-19) 3)CARE BB+; Stable (06-Apr-18)	-	1)CARE BB+; Stable (29-Mar-17) 2)CARE BBB- (Under Credit Watch) (26-May-16)
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; ISSUER NOT COOPERATING* (15-Mar-19) 2)CARE A4 (Under Credit watch with Negative Implications) (18-Feb-19) 3)CARE A4 (06-Apr-18)	-	1)CARE A4 (29-Mar-17) 2)CARE A3 (Under Credit Watch) (26-May-16)
4.	Working Capital Demand Loan-Short Term	ST	10.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; ISSUER NOT COOPERATING* (15-Mar-19) 2)CARE A4 (Under Credit watch with Negative Implications) (18-Feb-19) 3)CARE A4 (06-Apr-18)	-	1)CARE A4 (29-Mar-17) 2)CARE A3 (Under Credit Watch) (26-May-16)

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

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.*

Contact us

Media Contact
Mradul Mishra
Contact no.: +91-22 6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact
Harshveer Trivedi
Contact no.: +91-79 4026 5610
Email ID: harshveer.trivedi@careratings.com

Business Development Contact
Deepak Prajapati
Contact no.: +91-79 4026 5656
Email ID: deepak.prajapati@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.

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