

June 16, 2010

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

Ratings Assigned

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	155.12 (enhanced from Rs.67.80 cr)	'CARE BBB' (Triple B)	Reaffirmed
Short-term Bank Facilities	431.00 (enhanced from Rs.220 cr)	'PR3+' (PR Three Plus)	Reaffirmed
Total Facilities	586.12		

Rating Rationale

The ratings continue to take into account Anik Industries Ltd. (AIL) established operation in dairy business and financial risk profile characterised by moderate gearing and moderately comfortable liquidity position. The ratings further, continue to factor in experience of promoters in trading business and the company being part of Ruchi Group. The ratings, however, continue to be constrained by its comparatively small size of dairy operations with limited geographical presence and stiff competition from better placed co-operative sector. Potential volatility in profitability, which is inherent to the trading business (accounting over majority of AIL's income), due to fluctuation in commodity prices, also continues to constrain the ratings.

The ability of the company to increase its scale of its dairy operations with stabilization of expanded capacity, manage risk associated with raw material price volatility and restrict the investment in group's real estate ventures to its present level are key rating sensitivities.

Company Profile

Incorporated in 1976, AIL is a Ruchi Group company engaged in milk processing with installed capacity of 1,95,000 kilo litres p.a. at three centres viz. Dewas and Bhopal in Madhya Pradesh and Etah in Uttar Pradesh. AIL is further expanding its processing capacity by 1,20,000 kilo litres p.a. located adjacent to the existing Dewas plant. AIL processes milk and sells it either as pasteurized milk, flavoured milk, ghee, milk powder, etc. marketed under the brand name 'Anik'. AIL is also engaged in trading of agro and non-agro commodities. Dairy segment contributed around 27% of the total income for FY09 while the trading business contributed the rest.

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

On a total income of Rs.1035 crore, AIL earned a PAT of Rs.9 crore in FY09. Overall gearing ratio was 0.69 times as on Mar.31, 2009. During 9MFY10, AIL registered total income of Rs.820 crore with PAT of Rs.10crore.

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CARE 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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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