

Rating Rationale

Brickwork Ratings revises ratings from BWR BBB+/A3+ to 'BWR BB+/A4' for the Bank Loan facilities aggregating ₹ 836 Cr of Anil Ltd

Brickwork Ratings has revised the following **Ratings¹** for the Bank Loan facilities of **Anil Ltd (AL or 'the company')**:

Facility	Amount (₹ Cr)	Tenure	Rating	Rating History
Fund Based (Term Loans)	418.00	Long Term	BWR BB+ (Pronounced Double B Plus) (Outlook:Negative) (Revised)	BWR BBB+ (Pronounced Triple B Plus) (Outlook:Negative) (July 2016)
Fund Based (Working-Capital)	325.00			
Non - Fund Based	93.00	Short Term	BWR A4 (Pronounced BWR A Four) (Revised)	BWR A3+ (Pronounced BWR A Three Plus) (July 2016)
Total	836.00	INR Eight Hundred and Thirty Six Crores only		

BWR has principally relied upon the audited financial results of Anil Ltd. upto FY16, projected financials, publicly available information and information/clarifications provided by the company's management.

The rating revision factors increasing ongoing liquidity issues being faced by the company resulting in strained cashflows on account of stretched receivables, increasing raw material prices, and lack of full information on clarifications sought. While the company has an established track record of operations and market presence, the current situation is not conducive for growth, and hence future performance needs to be closely watched.

Background:

Anil Ltd is the flagship company of Anil Group, Gujarat, and a listed company was established in the year 1939 by Lt. Sh. Chinubhai Manibhai Sheth. Anil Ltd has one of the oldest and largest Corn Wet Milling (CWM) units in the country producing the entire range of unmodified starch, modified starch from basic maize starch, bio products and downstream products having installed capacity of CWM at 750 Tons per day (TPD). Anil Ltd.'s manufacturing facilities are located at Bapunagar, Ahmedabad. The major end user industry includes Textiles, Food & Beverages, Paper, Pharmaceuticals and Animal Feeds. The Company is being headed by Mr. Amol S. Sheth who is the Chairman and Managing Director. Promoters have 68.85% shareholding in the Company.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financials:

As per FY16 results, the company has achieved total operating income of ₹1140.93 Cr with a PAT of ₹55.59 Cr. The long term borrowing has increased from ₹291.83 Cr to ₹ 436.46 Cr alongwith increase in non-current investments from ₹35.19 Cr in FY15 to ₹149.72 Cr in FY16. The inventory and receivables holding levels are high leading to stretched working capital cycle. The company is availing term loan and working capital facilities from consortium of lenders led by Bank of India. The company has high contingent liabilities on account of guarantees given to group concerns and other matters.

Rating Outlook

The outlook continues as negative considering increasing ongoing liquidity issues, increased borrowings/investments, and lack of complete information. BWR has not factored the effect of likely restructuring of business within the Group, as it is still at a nascent stage, and specifics are not announced. The ability of the company to reduce the working capital cycle, improve profitability and liquidity would remain the key sensitivities. While any infusion of funds by promoters to ease liquidity would be positive, any further deterioration in gearing or liquidity in the system, would be negative for the rating.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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