Rating Rationale

Brickwork Ratings revises ratings from 'BWR A-/A2' to 'BWR BBB+/A3+' for the Bank Loan facilities aggregating ₹ 836 Cr of Anil Ltd

Brickwork Ratings has revised the following **Ratings**[1] 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 BBB+ (Pronounced Triple B Plus) (Outlook:Negative) (Revised)**	BWR A- (Pronounced BWR A Minus) (Outlook:Stable) (Jan 2016)
Fund Based (Working Capital)	**325.00**			
Non - Fund Based	**93.00**	**Short Term**	**BWR A3+ (Pronounced BWR A Three Plus) (Revised)**	BWR A2 (Pronounced BWR A Two) (Jan 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 FY15, audited financial figures for FY16, projected financials up to FY18, publicly available information and information/clarifications provided by the company's management.

The rating revision factors substantial increase in long term borrowings/non-current investments against projections shared earlier, ongoing liquidity issues being faced by the company on account of stretched receivables and raw material prices, and lack of full information on clarifications sought. The ratings continues to reflect positively the industry experience of the promoters, established track record of operations and market presence, strong R&D capabilities, long standing relationships with customers and suppliers, well diversified customer industries and consistent growth in turnover.

The outlook is revised from stable to negative considering ongoing liquidity issues and lack of full information.

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 Limited has a DSIR recognized R&D facility. Anil Ltd.'s manufacturing facilities are located at Bapunagar, Ahmedabad.

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

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.

Financials:

As per FY6 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. Considering working capital intensive operations the inventory holding and receivable levels of the company are high leading to stretched working capital cycle. The receivables have increased from ₹344.43 Cr in FY15 to ₹408.62 Cr in FY16. 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 is revised to negative considering increased borrowings/investments, ongoing liquidity issues and lack of information sought. 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 sustain its growth in revenue profile and margins amidst vulnerability in raw material costs, reduce the working capital cycle and improve profitability and liquidity to meet all obligations on time, would remain the key sensitivities. Any further deterioration in gearing or liquidity in the system, would be negative for the rating.

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