RATING RATIONALE

21 Jan 2020

Anu Products Ltd.

Brickwork Ratings upgrades the ratings for the Bank Loan Facility of ₹ 64 Crs of Anu Products Ltd.

Particulars :

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Juy,2018)	Present
Fund based	37.50	50.00	Long Term	BWR BBB- (Stable) Issuer Not Cooperating	BWR BBB (Stable) Upgrade
Fund based	-	2.00	Short Term	BWR A3 Issuer Not Cooperating	BWR A3+ Upgrade
Non Fund based	19.50	12.00	Short Term		
Total	57.00	64.00	INR Sixty Four Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
** Details of Bank facilities in Annexure-I

RATING ACTION / OUTLOOK

BWR has upgraded Long Term rating to BWR BBB(Stable) and Short Term rating to BWR A3+ for the bank loan facilities of Anu Products Ltd.

The rating continues to draw comfort from the experienced promoters of the company, comfortable gearing, current ratio and debt protection metrics, besides good profit margins. The rating is ,however, constrained by elongated conversion cycle ,raw material fluctuation risk , irregular demand over the years due to dependence on agricultural seasonality, and tough competition from domestic as well foreign companies.

The outlook is Stable as the company has been able to sustain growth of the top line and bottom line over the years.

KEY RATING DRIVERS

BWR principally relied upon audited financials upto FY19, projections upto FY22,publicly available information and information/clarification provided by the management.

Credit Strengths :

- **Experienced Promoters :** Main Promoters of the company have more than 2 decades of experience in the same line of business.
- **Consistent Improvement in Turnover** : Total operating income(TOI) has improved from Rs 202.49 Cr in FY18 to Rs 220.14 Cr in FY19 and PAT has improved from Rs 6.56 Cr in FY18 to Rs 7.52 Cr in FY19.
- **Leverage position :** Gearing(Total debt/TNW) of the company is comfortable at 0.77X in FY19 against 0.80X in FY18 signifying moderate leverage position. The company has sufficient room available for further borrowings in case of need.
- **Debt protection Metrics:** Company has comfortable debt protection metrics, indicates from ISCR and DSCR of 2.59X and 1.68X in FY19.
- **Profit margins :** APL net profit margin has improved from 3.24% in FY18 to 3.44% in FY19. Operating Profit Margin has declined from 8.37% in FY18 to 7.66 % in FY19 due to increase in raw materials cost but it is comfortable.
- **Current Ratio :** The company ratio of the company is comfortable of 1.76X in FY19 showing the ability of the company to meet its current liabilities from current assets.

Credit Weaknesses :

- **Conversion cycle :** Operating cycle of the company is high and elongated from 248 days in FY18 to 274 days in FY19 due to high inventory and receivable days.
- **Raw Material Fluctuation Risk** : Profitability of the company is susceptible to the price fluctuation in raw material price which is visible in decline profit margins= of the company in FY19
- **Competition** : Tough competition from domestic as well foreign companies could adversely affect the profit margin in future.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the company's ability to improve the top line and conversion cycle would be key sensitivities over short to medium term.

Positive: The rating outlook may be revised to positive in case there is a sizable increase in its operating income, improvement in operating cycle and sustain the financials.

Negative: The rating may be downgraded if the company achieves lower revenue and financial ratios than projected financials.

LIQUIDITY POSITION (Adequate)

Adequate Liquidity is characterized by sufficient cushion in cash accruals(Pat+Dep) which has improved from Rs 7.24 Cr in FY18 to Rs 8.26 Cr in FY19 against CPLTD of Rs.2.28 Crs which was to be paid in FY19.Cash and Cash Equivalent was 1.09 Cr at the end of March,2019. Average working capital utilization is below 70%.

COMPANY PROFILE

Anu Products Ltd, an ISO-9001:2008 certified Company, was incorporated in 1990 and commenced operations from 1992 after setting up a plant for manufacture of pesticides in Faridabad. Company is engaged in manufacturing agrochemical products with a range of plant protection chemicals including insecticides, herbicides, fungicides, weedicides etc.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		**Audited**	**Audited**
Total Operating Income	**Crs**	202.49	220.14
OPBDIT	**Crs**	16.96	16.85
PAT	**Crs**	6.56	7.52
Tangible Net Worth	**Crs**	58.15	65.67
Total Debt/TNW	**Times**	0.80	0.77
Current Ratio	**Times**	1.58	1.76

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY: ACUITE moved the rating to Isser Non Cooperation vide its press release dated 27th Nov,2019

RATING HISTORY

<table>
<tr><th>Instrument / Facilities</th><th colspan="3">Current Rating (Jan,2020)</th><th colspan="4">Rating History</th></tr>
<tr><td></td><td>Tenure</td><td>Amount (₹ Cr)</td><td>Rating</td><td>2019</td><td>July, 2018</td><td>Feb, 2017</td><td>March, 2016</td></tr>
<tr><td>Fund based</td><td>Long Term</td><td>50.00</td><td>BWR BBB (Stable)
Upgrade</td><td rowspan="3">No Change</td><td>BWR BBB- (Stable)
Issuer Not Cooperating</td><td>BWR BBB (Stable)</td><td>BWR BBB- (Stable)</td></tr>
<tr><td>Fund based</td><td>Short Term</td><td>2.00</td><td rowspan="2">BWR A3+
Upgrade</td><td rowspan="2">BWR A3
Issuer Not Cooperating</td><td rowspan="2">BWR A3</td><td rowspan="2">BWR A3</td></tr>
<tr><td>Non Fund based</td><td>Short Term</td><td>12.00</td></tr>
<tr><td>Total</td><td></td><td>64.00</td><td colspan="5">INR Sixty Four Crores</td></tr>
</table>

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies

Analytical Contacts	Investor and Media Relations
Raman Thakur **Rating Analyst** Phone:011-23412232 raman.t@brickworkratings.com **RK Sharma** **Senior Director - Ratings** Phone:011-23412232 rksharma@brickworkratings.com	Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com

Anu Products Ltd.

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	HDFC	Cash Credit	30	-	30
2.		EPC/PCFC	-	2	2
3.	RBL	Cash Credit	20	-	20
4.		LC	-	12	12
TOTAL					**64**

Total INR Sixty Four Crores Only

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