

## Rating Rationale

### Brickwork Ratings on a review, Reaffirms ratings for the Bank Loan Facilities aggregating ₹ 58 Cr of M/s Anu Products Limited

On a review, Brickwork Ratings (BWR) has *reaffirmed* **Ratings**<sup>1</sup> for the enhanced Bank loan facilities of Rs. 58.00 Cr (enhancement from Rs. 45.00 Cr) to M/s Anu Products Limited (*The Company or APL*), as under

Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Previous Rating Nov 2013	Review Rating <sup>1</sup>
<b>Fund Based Limits</b>	27.00	<b>37.50</b>	<b>Long Term</b>	BWR BBB- (BWR Triple B Minus) Outlook: Stable	<b>BWR BBB-</b> (BWR Triple B Minus) <b>Outlook: Stable Reaffirmation</b>
<b>Fund Based Limits</b>	2.00	<b>0.00</b>	<b>Short Term</b>	BWR A3	<b>BWR A3 Reaffirmation</b>
<b>Non Fund Based Limits</b>	16.00	<b>20.50</b>			
<b>Total</b>	45.00	<b>58.00</b>	<b>INR Fifty Eight Crores only</b>		

Details of Facilities is provided in Annexure-1

BWR has principally relied upon the audited financial results up to FY14, Provisional financials of FY15 and projected financials of FY16, publicly available information and information/clarification provided by the firm's management.

The rating factors, inter alia, established operations of the Company, experienced management, strong distribution network and dealers, improvement in revenues Y-O-Y and favorable coverage ratios and debt equity. However, the rating is constrained by high inventory days and days' receivables leading to a stretched cash conversion cycle, stagnant in net profit margin from FY14 to FY15 and irregular demand for agrochemicals due to high dependence on seasonality.

### Background

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. During 2006-07 another plant was set up in Jammu.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

Company is engaged in manufacturing of agrochemical products with a range of plant protection chemicals including insecticides, herbicides, fungicides, weedicides, plant growth regulators, bio regulators, bio-pesticides and bio-fertilizers. International brands viz., ‘ROGOR’, ‘Ergostim’ and ‘Cytozyme’ have allowed APL to use their brand names in India.

APL has installed production lines in Emulsifiable Concentrate/Soluble Liquids, Wet/Dusting Powder and Granules Sections with installed capacity of 3750KLPA, 3000KLPA and 3300KLPA. Utilization levels are varying from ~70% to 80%. Capacity utilization of all the product lines is improving Y-O-Y, Which resulted in improvement in revenues Y-O-Y.

### Financial Performance

As per FY15, provisional financials net revenue from operations has improved from Rs. 118.74 crores in FY14 to Rs. 138.39 crores in FY15. Operating profit margin has improved from 9.22% in FY14 to 9.74% in FY15 and net profit margin remained at a stagnant level of 3.99%. Tangible net-worth has improved from Rs. 34.93 crores in FY14 to Rs. 40.48 crores in FY15 due to retention of profits in the business. Company has reported favorable coverage ratios in FY15. Elongated cash conversion cycle is due to high inventory and receivable days.

### Rating Outlook

The outlook of the Company for the next one year is expected to be stable. The rating is however, subject to alterations in the audited results of the Company for FY15. Going forward, ability of the Company to improve scale of operations, to sustain the capital structure achieved, to manage its working capital effectively by minimizing its cash conversion cycle will be the key rating sensitivities.

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**M/s Anu Products Limited**

**Annexure-I**

Name of the Bank		Nature of Facility	Previous Amount	Review Amount
			Rs. Cr	Rs. Cr
ING Vysya Bank	Fund Based <i>Long Term</i>	OD Stock –in-Trade / Book Debts	13.00	20.00
		WCDL (sub-limit of OD)	(8.00)	(16.00)
	Fund Based <i>Short Term</i>	Purchase Bills Discounting (sub-limit of OD in Review amount)	2.00	(2.00)
	Non Fund Based <i>Short Term</i>	LC/ILC	6.00	8.00
		Buyer's credit (sub limit of LC)	(6.00)	(8.00)
<b>Total Facilities</b>			<b>21.00</b>	<b>28.00</b>
Ratnakar Bank	Fund Based <i>Long Term</i>	Cash Credit	14.00	0.00
		WCDL (Sub Limit of CC)	(10.00)	0.00
	Non Fund Based <i>Short Term</i>	ILC/FLC	10.00	0.00
		FLC/ILC (Sub limit of CC)	(2.00)	0.00
		Bank Guarantee (Sub limit of LC)	(1.00)	0.00
		LUT for Buyer's credit (Sub limit of LC)	(5.00)	0.00
<b>Total Facilities</b>			<b>24.00</b>	<b>0.00</b>
ICICI Bank	Fund Based <i>Long Term</i>	Cash Credit	0.00	17.50
		WCDL (Sub Limit of CC)	0.00	(17.50)
	Fund Based <i>Short Term</i>	Buyer's Credit (Sub limit of CC)	0.00	(4.50)
	Non Fund Based <i>Short Term</i>	Letter of Credit (ILC/FLC)	0.00	12.50
		Counter Bank Guarantee (Sublimit of LC)	0.00	(10.50)
<b>Total Facilities</b>			<b>0.00</b>	<b>30.00</b>
<b>Total Exposure (Including all the banks)</b>			<b>45.00</b>	<b>58.00</b>