



SMERA RATINGS LIMITED

Ankur Chemfood Limited (ACL)**Rating
Rationale****September 30, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	32.00	SMERA BB/Stable (Assigned)
Term Loan	1.85	SMERA BB/Stable (Assigned)
Bank Guarantee	5.20	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of Ankur Chemfood Limited (ACL). The outlook is '**Stable**'. The ratings are constrained by the company's moderate leverage and working capital-intensive operations. The ratings are also constrained by the susceptibility of the company's profit margins to increase in freight rates. The ratings note that the company is exposed to intense competition in the salt refining business. However, the ratings are supported by the company's established track record of operations and experienced management. The ratings are also supported by the company's diversified clientele, strong distribution network, comfortable coverage indicators and healthy net cash accruals.

ACL, established in 1993, is a Kutch-based company engaged in production, refining and trading of salt. ACL also undertakes trading of castor seeds. The company's leverage (debt-equity ratio) is moderate at 1.75 times as on March 31, 2014. ACL's operations are working capital-intensive. The company collects dues from customers within 90 days, while payments to creditors are made within 60 days. Further, ACL maintains high inventory of raw material on account of seasonal availability of raw salt. The company's average utilisation of cash credit limit is high at ~97.60 per cent during November 2013 to August 2014.

ACL's profit margins are highly susceptible to hike in freight rates. Transportation cost accounts for ~26.55 per cent of the company's total cost of sales in FY2013-14 (refers to financial year, April 01 to March 31). Any hike in freight rates will have a significant impact on the company's profitability.

ACL is a part of the Champalal Group, which has an established track record of around two decades in the salt refining business. Mr. Champalal Parekh, chairman of ACL, has around five decades of experience in the salt refining business. Mr. Ashok Champalal Parekh, managing director of ACL, has around three decades of experience in the salt refining business. ACL has a well-diversified clientele. The company has a strong distribution network with depots in Delhi, Kolkata, Mumbai, Pune, Asansol, Kolhapur, Secunderabad, Deoghar, Indore, Raipur, Deoli, Ambala, Ludhiana, Gorakhpur, Cuttack and Guwahati. ACL reported healthy net cash accruals of Rs.6.27 crore in FY2013-14. The company's comfortable coverage indicators are evidenced by interest coverage ratio (ICR) of 2.17 times and cash debt service coverage ratio (DSCR) of 1.20 times in FY2013-14.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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Ankur Chemfood Limited (ACL)

Rating Rationale

Outlook: Stable

SMERA believes ACL will continue to benefit over the medium term from its experienced management and diversified clientele. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues and profitability while achieving significant improvement in capital structure and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case the company reports lower-than-expected revenues and profitability, or in case of deterioration in the company's debt protection metrics.

About the company

ACL, incorporated in 1993, is a Kutch-based company promoted by Mr. Champalal G. Parekh and Mr. Ashok C. Parekh. ACL is engaged in production of edible and industrial salts. The company sells edible salt under the brand name of 'Ankur Namak'. ACL also undertakes trading of refined salt and castor seeds. The company has a salt refining unit in Kutch (Gujarat) with installed capacity of 11.14 lakh metric tonnes per annum (MTPA), of which 6.47 lakh MTPA is unutilised as on date. ACL has two windmills (with total capacity of 2.1 MW) for captive power consumption.

For FY2013-14 (as per provisional financial statements), ACL reported profit after tax (PAT) of Rs.1.52 crore on operating income of Rs.201.41 crore, as compared with PAT of Rs.3.23 crore on operating income of Rs.169.80 crore in FY2012-13. The company's net worth stood at Rs.25.54 crore as on March 31, 2014, as compared with Rs.24.03 crore a year earlier.

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