

Press Release

Anu Products Limited

September 12, 2018



Rating Assigned and Reaffirmed

Total Bank Facilities Rated*	Rs. 66.00 Cr. (Enhanced from Rs. 20 cr.)
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuité has reviewed long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) to the Rs. 20.00 crore and assigned a long term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) to the Rs. 46 crore bank facilities of Anu Products Limited (APL). The outlook is '**Stable**'.

The Haryana based, Anu Products Limited incorporated in 1990 is engaged in manufacturing of bio-pesticides and micronutrients for crop protection. Its product range spans from agro chemicals, technical & formulations to household and public health chemicals. The company is certified by ISO 9001:2008 and ISO-14001-2004.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Anu Products Limited to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

APL was incorporated in 1990 by Mr. Jugal Kishore Bhartiya (Managing Director) and Mr. Pankaj Bhartiya (Director). Thus, having a track record of over three decades in the Agro-Chemical industry. The Directors have more than three decades of experience in the same line of business. Further, Mr. Neeraj Bhartiya (Chief Executive Officer) has an experience of more than 15 years in the aforementioned industry. Hence, long track records of operations and vast experience of management has helped the company to develop healthy relationship with its customers. Acuité believes that APL will sustain its existing business profile on the back of established track record of operations and experienced management.

• Diversified product portfolio and geographical advantage

APL manufactures wide range of pesticides, fungicides and plant growth regulators. Further, APL has a wide network of ~3500 dealers and distributors all over India and exports to countries like Russia, Nepal and Africa among others.

• Comfortable financial risk profile

APL's financial risk profile is comfortable marked by net worth of Rs.60.43 crore as on 31 March, 2018 (Provisional) as against Rs.53.68 crore as on 31 March, 2017. The gearing (debt-to-equity) stood at 0.74 times as on 31 March, 2018 (Provisional) as against 0.92 times as on 31 March, 2017. The total debt of Rs.44.73 crore as on 31 March, 2018 (Provisional) mainly comprises of Rs.41.80 crore of working capital borrowings, Rs.2.16 crore of loans from financial institutions and Rs.0.77 crore of term loan. The company has moderate interest coverage ratio (ICR) of 3.00 times in FY2018 (Provisional) as against 2.57 times in FY2017. The net cash accruals increased to Rs.7.37 crore in FY2018 (Provisional) from Rs.6.60 crore in FY2017. Acuité believes that APL will sustain its financial risk profile backed by healthy accruals over the near to medium term.

- **Growth in the scale of operations**

APL has reported operating income of Rs.207.22 crore in FY2018 (Provisional) which has improved from Rs.179.53 crore in FY2017 and Rs.139.64 crore in FY2016. This is mainly due to increased demand of products. The operating margins stood at 8.06 percent in FY2018 (Provisional) as against 8.88 percent in FY2017. Profit after Tax (PAT) margin stood at 3.26 percent in FY2018 (Provisional) as against 3.33 percent in FY2017.

Weaknesses

- **Working capital intensive operations**

APL has working capital intensive nature of operations marked by high Gross Current Assets (GCA) of 278 days in FY2018 (Provisional) as against 300 days in FY2017. This is mainly due to high debtors of 147 days in FY2018 (Provisional) due to delayed payments from farmers. The debtors in FY2017 were 133 days. The inventory days stood at 130 days in FY2018 (Provisional) as against 158 days in FY2017. The high inventory is mainly due to different range of products and different packaging with maintenance of minimum stock at the 19 depots all over India for distribution purpose. The creditor days stood same at 112 days in FY2018 (Provisional) and FY2017. The bank limit utilization stood at ~87 percent for the last six months ended April, 2018.

- **Presence in highly competitive and fragmented agrochemical industry**

The chemical industry, particularly agro chemical, is highly fragmented with presence of both organized and unorganized players. Hence, the company faces stiff competition from these players which limits the pricing flexibility of the company.

- **Agro climatic conditions**

The demand for the agro chemicals such as pesticides, herbicides, among others is highly dependent on the monsoon. Hence, any shortfall of rain can adversely impact the demand for agro chemicals.

Outlook: Stable

Acuité believes that APL will maintain stable outlook over the medium term on back of experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	207.22	179.53	139.64
EBITDA	Rs. Cr.	16.70	15.95	13.13
PAT	Rs. Cr.	6.75	5.97	5.56
EBITDA Margin	(%)	8.06	8.88	9.40
PAT Margin	(%)	3.26	3.33	3.98
ROCE	(%)	15.35	15.69	14.47
Total Debt/Tangible Net Worth	Times	0.74	0.92	0.91
PBDIT/Interest	Times	3.00	2.57	2.44
Total Debt/PBDIT	Times	2.68	3.09	3.31
Gross Current Assets (Days)	Days	278	300	325

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instruments/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
August 31, 2018	Cash Credit I	Long Term	10.00	ACUITE BBB / Stable (Assigned)
	Letter of credit	Short Term	10.00	ACUITE A3+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit I	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB / Stable (Reaffirmed)
Cash Credit II	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3+ (Reaffirmed)
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ (Assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ (Assigned)

Working Capital Demand Loan-I of Rs.15 crore, Working Capital Demand Loan II of Rs. 25.00 crore, Letter of credit of Rs. 12.00 as a sublimit of Cash Credit.

LUT for buyer's credit of Rs.12 crore, Bank Guarantee of Rs.3 crore, Working Capital Demand Loan-II of Rs.10 crore as a sublimit of Letter of Credit.

Contacts

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About Acuité Ratings & Research:

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