



Press Release

Anika Industries Private Limited

October 17, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE BB**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 40.00 crore bank facilities of ANIKA INDUSTRIES PRIVATE LIMITED. The outlook is '**Stable**'.

Mumbai based Anika Industries Private Limited (AIPL) is promoted by Mr. Abhinandan Lodha who handles the financial services sector of the Lodha group. The company is engaged in trading of plastic granules and plastic scrap. AIPL is 100 percent owned subsidiary of Lodha Corporate Trusteeship Private Limited which is owned by Mrs. Sheetal Abhinandan Lodha.

Key Rating Drivers

Strengths

- **Experienced promoter group and strong financial support**

Mr. Abhinandan Lodha, promoter of AIPL looks after the financial services and plastics trading business of Lodha Group. He has experience of almost two decades in marketing and operations and more than decade of experience in real estate sector. He is well supported by the directors Mr. Yogendra Arora and Mr. Deependra Gupta. Mr. Arora handles strategic tie-ups with third party manufacturers and controls overall functioning of business and possesses experience of over three decades in corporate finance sector. Mr. Gupta is actively involved in sales & marketing and third party strategic tie-up. Apart from equity capital, the promoters and other group/related companies have supported the borrowings of AIPL by unsecured loans from the group companies. The backing of the group has significantly enhanced the resource raising ability of AIPL and is a strong credit enhancement factor. Acuite believes the company to benefit from the extensive experience of the management and the ongoing support from group/related companies.

- **Moderate financial risk profile**

AIPL has moderate financial risk profile marked by tangible net worth of Rs.12.25 crore as on 31 March, 2018 (Provisional) as against Rs.8.77 crore as on 31 March, 2017. It includes compulsory convertible debentures of Rs.2.01 crore and unsecured loan of Rs.9.00 crore as on 31 March, 2018 (Provisional) which is considered as quasi equity as same is subordinated to bank debt. The adjusted gearing stood at 0.50 times as on 31 March, 2018 (Provisional) as against 0.97 times as on 31 March, 2017. The debt of Rs.6.13 crore mainly consists of unsecured loans of Rs.1.20 crore and working capital borrowings of Rs.4.92 crore as on 31 March 2018 (Provisional). Interest Coverage Ratio (ICR) stood at 1.70 times for FY2018 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.57 times as on 31 March, 2018 (Provisional). Going forward, Acuite expects the company to maintain its financial risk profile in medium term in absence of major debt funded capex plans.

Weaknesses

• Working capital intensive operations

AIPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 210 days in FY20178 (Provisional) compared to 526 days in FY2017. The GCA days are mainly dominated by high debtor days of 183 days in FY2018 (Provisional) compared to 79 days in FY2016. The average cash credit utilization for the past six months stood at ~85 percent. Acuite believes that the efficient working capital management will be crucial for the company in order to maintain a stable credit profile.

• Modest Scale of operations marked by uneven profitability

AIPL started its operations in 2016. It registered operating income of Rs. 75.97 crore in FY2018 (Provisional) as against Rs. 14.81 crore in FY2017. The operating margins however have declined to 1.33 percent in FY2018 (Provisional) from 4.00 percent in FY2017 since the company has discontinued the job work activity.

• Competitive and fragmented industry

AIPL is relatively new player in the plastic industry which is a highly competitive and fragmented by nature and has large number of established as well as unorganized players which can have an impact on the bargaining power with the customers thereby affecting its margins.

Analytical Approach

To arrive at its rating, Acuite has considered the standalone financials to evaluate the credit quality of Anika Industries Private Limited (AIPL) and subsequently factored support from the Lodha group.

Outlook: Stable

Acuite believes that AIPL will maintain a stable outlook over the medium term on account of its strong linkages with, and support from, the Lodha Group. The outlook may be revised to 'Positive' in case the company exhibits healthy growth in cash accruals while managing its working capital requirements efficiently. Conversely, the outlook may be revised to 'Negative' in case of any dilution of support from the Lodha Group or deterioration in the financial risk profile and liquidity position of the company.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	75.97	14.81	0.00
EBITDA	Rs. Cr.	1.01	0.59	0.00
PAT	Rs. Cr.	0.47	-0.22	0.00
EBITDA Margin	(%)	1.33	4.00	-25.54
PAT Margin	(%)	0.62	-1.51	-25.54
ROCE	(%)	8.23	13.08	-45.03
Total Debt/Tangible Net Worth	Times	0.50	0.97	0.00
PBDIT/Interest	Times	1.70	0.82	0.00
Total Debt/PBDIT	Times	4.25	7.70	0.00
Gross Current Assets (Days)	Days	210	526	183

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A4+

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About Acuité Ratings & Research:

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