

## Angel Fibers Limited

January 17, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	-	-	Reaffirmed at CARE B; Stable (Single B; Outlook: Stable) and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A4 (A Four) and Withdrawn
<b>Total Bank Facilities</b>	<b>0.00</b> <b>(Rs. Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has reaffirmed and withdrawn the outstanding ratings of 'CARE B; Stable' (Single B; Outlook: Stable)/ CARE A4 (A Four) assigned to the bank facilities of Angel Fibers Limited with immediate effect. The above action has been taken at the request of Angel Fibers Limited and 'No Objection Certificate' & 'No Dues Certificate' received from the banks that has extended the facilities rated by CARE Ratings Ltd.

The ratings prior to its withdrawal continue to remain constrained on account of moderate scale of operations, leveraged capital structure, moderate debt coverage indicators. The ratings further continued to remain constrained on account of susceptibility of its profitability to volatile raw material prices and its presence in highly fragmented and competitive industry.

The ratings, continue to derive strength from its experienced management team, favourable location of its manufacturing unit with proximity to cotton growing region and benefits available under State Government policies.

### Key Rating Weakness

#### Moderate scale of operations with moderate profitability

The scale of operations of AFL stood moderate at Rs.139.57 in FY21 as compared to Rs.150.47 in FY20. The average utilization of installed capacity remained at around 80%. Profitability of the company remained moderate on account of limited bargaining power with its customers owing to intense competition in the cotton spinning segment. The operating profitability (PBILDT) of the company improved in FY21 as compared to last year with reduction in cost of raw materials consumed and stood at 16.24% in FY21 as against 6.91% in FY20. With this, the company reported net profit of Rs.6.93 crore FY21 as against loss in FY20.

During H1FY22, company reported TOI of Rs.111.38 crore with moderate operating profitability of 12.39% and PAT of Rs.5.88 crore

#### Leveraged capital structure and moderate debt coverage indicators

The capital structure of AFL remained leveraged marked by an overall gearing ratio of 3.32 times and TOL/ TNW ratio of 3.68 times as on March 31, 2021. The debt coverage indicators of the company improved during FY21 marked with PBILDT interest coverage ratio of 3.62 times on account of better profitability and low interest cost during the year and stood moderate.

#### Susceptibility to volatile raw material prices and regulatory changes

AFL's profitability is susceptible to the movement in the prices of raw cotton which is the key raw material for production of cotton yarn. The prices of raw cotton are volatile in nature and depend upon factors such as area under production, yield, vagaries of monsoon, international demand supply scenario, inventory carry forward from the previous year and export quota along with minimum support price (MSP) decided by the government. Prices of raw cotton have been volatile over last couple of years, which translates into risk of inventory losses. Furthermore, the textile industry also witnesses regulatory risks such as change in domestic and international government policies related to subsidies or imports / exports tariffs, which also affects the industry players across the value chain.

#### Presence in highly fragmented and competitive industry with limited product differentiation

The yarn manufacturing industry in India is highly fragmented and dominated by a large number of small scale units leading to high competition in the industry. Smaller standalone units are more vulnerable to intense competition and have limited pricing flexibility, which constrains their profitability as compared with larger integrated textile companies who have better efficiencies and pricing power considering their scale of operations. Due to the fragmented nature of the industry, the ability to pass on the increase in raw material prices to the end customers is limited and is usually accompanied by a time lag.

### Key Rating Strengths

#### Experienced management team

Mr. Ramesh J. Ranipa is a Whole-time-director cum Chairman of the company, possess vast experience in textile industry and holds directorship in other entities Further, Mr. Rohan J. Raiyani (Son-in-law of Mr. Ramesh Ranipa), the Managing Director of the company who has completed his Master in Business Management from Toronto, Canada, looks after the day to day operations of the company along with Mr. Pankaj Bhimani, the whole time director of the company.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

Mr. Bhimani has an experience of around two decades in sales and marketing operations alongwith few other personnel in the management team.

#### **Favourable location of its manufacturing unit with proximity to cotton growing region**

The manufacturing facilities of AFL are located at Haripar, Jamnagar which falls in the Saurashtra region of Gujarat which produces majority of Gujarat's total cotton production. The said cotton growing belt of Gujarat houses more than 600 cotton ginning mills and around 125 spinning mills. Hence, AFL's presence in cotton producing region has benefitted it in terms of easy availability of raw materials, labor and lower logistic costs.

#### **Benefits available under State Government policies**

AFL's manufacturing facility is eligible for various incentives by the Government of Gujarat. As per the Gujarat Textile Policy - 2012, AFL is entitled to benefits like (1) 7% interest subsidy for a period of 5 years (from June 2018 to June 2023) (2) Power tariff subsidy @ Rs.1 per unit in the billed amount of the utility for a period of 5 years (from August 2018 to August 2023) (3) Reimbursement of State Goods and Service Tax (SGST) to the extent of 100% of the eligible fixed capital investments in plant and machinery for a period of 8 years (from August 2018 to August 2026).

**Analytical Approach:** Standalone

#### **Applicable Criteria:**

[Policy on Withdrawal of Ratings](#)

[Rating Outlook and Credit Watch](#)

[Policy on default recognition](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

[Short Term Instruments](#)

#### **About the company**

Angel Fibers Limited (AFL) was initially incorporated as a private limited company in February 2014. Later in December 2017, the constitution of the company changed from private limited to public limited. AFL is engaged into manufacturing of carded, combed and compact cotton yarn of finer quality ranging between 20 to 50 counts since June 2015. The manufacturing facilities of AFL are located at Haripar, Jamnagar (Gujarat) with 39,648 spindles having an installed capacity to manufacture 10,440 metric tonne per annum (MTPA). AFL is currently listed on the SME platform of BSE with promoters holding of 73.91% as on December 31, 2021.

<b>Brief financial of AFL (Rs. Crore)</b>	<b>FY20 (A)</b>	<b>FY21 (A)</b>	<b>H1FY22 (Prov.)</b>
Total Operating Income	150.47	139.57	111.38
PBILDT	10.40	22.67	13.80
PAT	-14.64	6.93	5.88
Overall Gearing (times)	5.47	3.32	2.01
Interest Coverage (times)	1.11	3.62	4.47

A: Audited; Prov.:Provisional

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	November 2026	0.00	Withdrawn
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantees		-	-	-	0.00	Withdrawn

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE B; Stable (25-Nov-20)	1)CARE D (12-Feb-20) 2)CARE D (18-Nov-19)	1)CARE BB+; Stable (07-Jan-19) 2)CARE BB-; Stable (20-Jul-18)
2	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B; Stable (25-Nov-20)	1)CARE D (12-Feb-20) 2)CARE D (18-Nov-19)	1)CARE BB+; Stable (07-Jan-19) 2)CARE BB-; Stable (20-Jul-18)
3	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	1)CARE A4 (25-Nov-20)	1)CARE D (12-Feb-20) 2)CARE D (18-Nov-19)	1)CARE A4+ (07-Jan-19) 2)CARE A4 (20-Jul-18)

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantees	Simple

**Annexure 5: Bank Lender Details for this Company**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About CARE Ratings Limited:

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