Angel Fibers Limited

July 20, 2018

Ratings

Facility	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	74.12 (Enhanced from 37.82)	**CARE BB-; Stable (Double B Minus; Outlook: Stable)**	**Reaffirmed**
Short-term Bank Facilities	3.50 (Enhanced from 1.50)	**CARE A4 (A Four)**	**Reaffirmed**
Total Facilities	**77.62 (Rupees Seventy Seven Crore and Sixty Two Lakh Only)**		

Details of instruments/facilities in Annexure -1

Detailed rationale

The ratings assigned to the bank facilities of Angel Fibers Limited (AFL) continue to remain constrained on account of its moderate liquidity position in FY18 (Prov., FY refers to the period from April 01, 2017 to March 31, 2018), presence in highly fragmented cotton yarn industry, susceptibility of profit margins to cotton price fluctuations and supply of cotton being regulated by the government. The ratings further takes into consideration implementation and stabilization risk associated with its on-going expansion project.

The ratings, however, derive strength from improved total operating income (TOI) coupled with improved profit margins, improved capital structure and debt coverage indicators in FY18 (Prov.). Further, the ratings continue to draw strength from experienced promoters, presence in cotton producing belt of Gujarat along with availability of fiscal benefits from the government.

AFL's ability to successfully complete its debt funded capex within envisaged cost and time parameters and consequently increase its scale of operations and profit margins will be the key rating sensitivities. In addition to this, further improvement in capital structure, debt coverage indicators and better working capital management would also remain crucial.

Detailed description of key rating drivers

Key Rating Weaknesses

Implementation and stabilization risk associated with on-going debt funded project

AFL is currently undertaking a project to setup a new plant for spinning unit with total cost of Rs.64.29 crore which is proposed to be funded through debt/equity mix of 1.36 times. AFL has commenced project from November, 2017. Till July 13, 2018 cost of Rs. 33.04 crore has incurred which has been funded through unsecured loans of Rs. 14.47 crore, term loan from bank of Rs. 16.48 crore and internal cash accruals of Rs.2.09 crore. AFL expects to start commercial production from August 2018 onwards. With majority of costs yet to incur and financial closure of the project yet to be achieved, AFL is exposed to project implementation and stabilization risk.

Moderate liquidity position

The liquidity position of AFL has marginally improved and stood moderate marked by current ratio of 1.56 times as on March 31, 2018 (Prov.) which has improved from 1.48 times as on March 31, 2017. Further, operating cycle has elongated and stood at 94 days in FY18 (Prov.) as against 78 days in FY17. The average utilization of working capital limits remained 95% during the past 12 months ended June 2018.

Presence in highly fragmented cotton spinning industry coupled with susceptibility of profit margins to cotton price fluctuations and supply for cotton are regulated by the government

High proportion of small scale units operating in the cotton value chain has resulted in the fragmented nature of the industry as well as intense competition within the players. Further, profit margins of AFL remain susceptible to changes in its primary raw material i.e. ginned cotton. The cotton prices in India are highly regulated by the government through MSP (Minimum Support Price) hence any adverse change in government policy may also impact the prices of raw cotton.

Key Rating Strengths

Experienced promoters coupled with presence in cotton growing region of Gujarat

Promoters of AFL hold more than a decade of experience into similar line of operations. Furthermore, the manufacturing facilities of AFL are located at Haripar, near Rajkot in Gujarat. AFL's presence in the cotton producing region results in benefit derived from a lower logistic expenditure (both on transportation and storage), easy availability and procurement of raw materials at effective prices.

Improvement in total operating income (TOI) coupled with improved profit margins in FY18
During FY18 (Prov.), AFL has registered growth of 5.81% in its TOI which stood at Rs.86.35 crore as compared to Rs.81.61 crore reported in FY17. Consequently, profit margins have also improved during FY18 marked by PBILDT and PAT margin which stood at 17.47% and 5.04% as against 16.75% and 0.73% during FY17.
Improved Capital Structure and debt coverage indicators
On the back of increase in the net worth base coupled with decline in debt level, capital structure has improved marked by overall gearing ratio of 1.61x as on March 31, 2018 (Prov.) as compared to 2.00x as on March 31, 2017. Furthermore, total debt to GCA ratio has also improved to 3.87 years in FY18 (Prov.)as against 4.34 years in FY17 owing to increase in GCA level coupled with decline in debt level as on balance sheet date. Interest coverage ratio of AFL has also improved and stood moderate at 7.24x during FY18 as against 6.77x during FY17 mainly on account of increase in the PBILDT level.
Availability of fiscal benefits from the government
AFL is entitled to get various subsidies under the Revised Technology Up-gradation Fund Scheme (RTUFS). These benefits include capital subsidy, interest subsidy, power tariff subsidy, refund of VAT on SGST paid by the unit on purchases of intermediate product/raw material and remission of tax collected on end product/intermediate product made ups to the extent of 100% the eligible fixed capital investments in plant and machinery made within one year (two years in case of investment more than 500 crore) from the date of production.

Analytical Approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
CARE's methodology for manufacturing companies
CARE's methodology for Cotton yarn Industry
Criteria for Short Term Instruments

About the company
Rajkot-based (Gujarat), Angel Fibers Limited (AFL) was established as a private limited company in February, 2014 by Mr. Ashok Dudhagara, Mr. Kantilal Savalia, Mr. Parsotam Dudhagara, Mr. Bakulesh Jani and Mr. Jaydeep Dobariya. In December 2017, the company converted its constitution from private limited company to public limited company and the management has changed. Mr. Bakulesh Jani has retired and Mr. Ankur Jani has joined in place of his father. Also Mrs. Prafulaben Dudhagara, wife of Mr. Ashok Dudhagara, has been added as a new director in the company and Mr.Jaydeep Dobariya, Mr. Parsotam Dudhagara and Mr. Kantilal Savalia have discontinued. Currently, the company is managed by Mr. Ashok Dudhagara, Mrs. Prafulaben Dudhagara and Mr. Ankur Jani. AFL manufactures carded, combed and compact cotton yarn of finer quality ranging between 20s to 50s count and operates from its sole manufacturing facility located at Haripar, Rajkot, Gujarat. As on March 31, 2018, AFL has total installed capacity of 13 tonnes per day of cotton yarns. The company started commercial operations from June, 2015.
AFL has got listed on BSE platform with issue price of Rs. 27 per share on March 6, 2018.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (Prov.)
Total operating income	81.61	86.35
PBILDT	13.67	15.09
PAT	0.60	4.35
Overall gearing (times)	2.00	1.61
Interest coverage (times)	6.77	7.24

A: Audited, Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Analyst Contact
Name: Ms Parul Prasad
Tel: (079) 40265653
Mobile: +91- 8511182593
Email: parul.prasad@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March, 2026	62.12	CARE BB-; Stable
Fund-based - LT-Cash Credit	-	-	-	12.00	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	3.50	CARE A4

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	62.12	CARE BB-; Stable	-	1)CARE BB-; Stable (21-Dec-17)	1)CARE B+; Stable (29-Mar-17) 2)CARE B+; Stable (14-Mar-17)	-
2.	Fund-based - LT-Cash Credit	LT	12.00	CARE BB-; Stable	-	1)CARE BB-; Stable (21-Dec-17)	1)CARE B+; Stable (29-Mar-17)	-
3.	Non-fund-based - ST-Bank Guarantees	ST	3.50	CARE A4	-	1)CARE A4 (21-Dec-17)	1)CARE A4 (29-Mar-17)	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: + +91 85111-53511/99251-42264
Tel: 91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691