

Angel Fibers Private Limited

March 14, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	15	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Total	15 (Rupees Fifteen crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Angel Fibers Private Limited (AFPL) are constrained on account of high leverage on the back of the recently concluded predominantly debt funded Greenfield project, moderate debt coverage and working capital intensive operations. The ratings are further constrained by susceptibility of its profitability to volatile cotton prices and presence in the highly fragmented and competitive cotton industry.

The weaknesses are partially offset by, experienced promoters and strategic location of its manufacturing facilities in the cotton producing cluster of Gujarat along with government's fiscal benefits.

Increase in scale of operations along with generation of envisaged cash accruals and reduction in debt levels are the key rating sensitivity. AFPL's ability to pass on the volatility associated with cotton prices to its customers and efficient management of working capital requirements are also crucial from a credit perspective.

Detailed description of the key rating drivers

Key Rating Weaknesses

High leverage and moderate debt coverage indicators: The Company had leveraged capital structure as marked by high overall gearing of 2.31 times as on March 31, 2016. The capital structure is leveraged due to modest net-worth base on account of nascent stage of operations, loans availed to fund capital expenditure of manufacturing facility and working capital intensive nature of operations. Furthermore, it had moderate debt coverage indicators on account of high debt levels.

Working capital intensive nature of operations: The operations of AFPL are working capital intensive as the company purchases most of its raw material i.e. raw cotton in cash while it extends credit period of 30 – 45 days to its customers and keeps inventory of 40 – 60 days of raw materials. The liquidity indicators of AFPL were modest marked by high utilization of working capital limits to fund its working capital requirements.

Susceptibility of profitability to volatile cotton prices and presence in the highly fragmented and competitive industry: AFPL's profitability margins are susceptible to volatility associated with cotton prices. AFPL operates in a highly fragmented and unorganized market of the textile industry marked by a large number of small sized players. The industry is characterized by low entry barrier due to minimal capital requirement and easy access to customers and supplier.

Key Rating Strengths

Experienced promoters: The promoters of AFPL have over two decade of experience in cotton ginning and pressing, which has helped it in terms of raw material procurement, ease of managing day-to-day operations and marketing.

Strategically located manufacturing unit along with government's fiscal benefits: AFPL's presence in the cotton producing region has geographical advantage in terms of lower logistics expenditure (both on the transportation and storage) & ready availability of raw materials. AFPL's spinning project is eligible for various incentives by the state as well as central government.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

[CARE's methodology for manufacturing companies](#)
[Financial ratios – Non-financial sector](#)

About the Company

Rajkot-based (Gujarat), AFPL is a private limited company incorporated in February, 2014 by Mr Ashok Dudhagara, Mr Kantilal Savalia, Mr Parsotam Dudhagara, Mr Bakulesh Jani and Mr Jaydeep Dobariya. AFPL manufactures carded, combed and compact cotton yarn ranging between 20s to 50s counts. AFPL commenced its operations in June, 2015 with manufacturing capacity of 19,584 spindles [4,400 metric tonne per annum (MTPA)] of cotton yarn. The major raw material for manufacturing cotton yarn is ginned cotton which is being procured from the local market of Rajkot.

As per audited financials of FY16 (refers to the period April 1 to March 31), AFPL reported total operating income (TOI) of Rs.51.02 crore with net loss of Rs.1.05 crore. Based on provisional financials of 9MFY17, AFPL reported TOI of Rs.67.47 crore with profit before interest, lease, depreciation and tax (PBILDT) of Rs.9.49 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for 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: Mr Maulesh Desai
 Tel: 079-40265605
 Mobile: +91-8511190079
 Email: maulesh.desai@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over 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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	NA	NA	2023	15.00	CARE B+; Stable

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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	15.00	CARE B+; Stable	-	-	-	-

CONTACT**Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 9198209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

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. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,

Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com**BENGALURU****Mr. Deepak Prajapati**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**

SCF No. 54-55,

First Floor, Phase 11,

Sector 65, Mohali - 160062

Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@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

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