Angel Fibers Private Limited

March 29, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	48.10	CARE B+; Stable (Single B Plus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	1.50	CARE A4 (A Four)	Assigned
Total	**49.60 (Rupees Forty Nine crore and Sixty lakh 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 indictors: 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

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

Applicable Criteria
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[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.*

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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.

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	41.10	CARE B+; Stable
Fund-based - LT-Cash Credit	NA	NA	NA	7.00	CARE B+; Stable
Non-fund-based - ST-Bank Guarantees	NA	NA	NA	1.50	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 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	41.10	CARE B+; Stable	1)CARE B+; Stable (14-Mar-17)	-	-	-
2.	Fund-based - LT-Cash Credit	LT	7.00	CARE B+; Stable	-	-	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	1.50	CARE A4	-	-	-	-

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