

## Press Release

### Anunay Fab Limited (AFL)

August 24, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.85.20 crore
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.85.20 crore bank facilities of Anunay Fab Limited. The outlook is '**Stable**'.

AFL which was promoted in 1994 by Mr. Purshottam Agrawal and Mr. Anjani Agarwal is engaged in the manufacturing of made-up home textile products. Over 90% total revenue being contributed by bedsheets. It is also engaged in the trading of grey cloth. The company purchases grey fabric, which is processed on job work basis. The company then cuts and stitches the processed material to bedsheets, and packages the same. More than 50% of the final products are exported mainly to the US.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The promoters of the company Mr. Purshottam Agrawal and Mr. Anjani Agarwal have more than two decades of experience in the textile industry

#### Weaknesses

- **Working capital intensive operations**

AFL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 193 days in FY2018 (Provisional) compared to 207 days in FY2017. The GCA days are mainly dominated by high inventory days of 114 days in FY2018 (Provisional) compared to 121 days in FY2017. The average cash credit utilization for the past six months stood at ~90 percent. ACUITE believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.33.97 crore as on 31 March, 2018 (Provisional) as against Rs.33.12 crore as on 31 March, 2017. The gearing (debt-equity) stood at 3.13 times as on 31 March, 2018 (Provisional) as against 3.32 times as on 31 March, 2017. The interest coverage ratio stood at 1.32 times for FY2018 (Provisional) as against 1.24 times for FY2017. The DSCR stood at 0.47 times for FY2018 (Provisional) compared to 1.07 times for FY2017. The TOL/TNW stood high at 4.32 times in FY2018 (Provisional) as against 4.96 times in FY2017

- **Highly competitive and fragmented industry**

AFL operates in a highly competitive and fragmented industry characterized by large number of unorganized players affecting margins.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the AFL to arrive at this rating.

#### **Outlook: Stable**

Acuité believes AFL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margin. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

#### **About the Rated Entity - Key Financials**

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	304.12	316.16	357.37
EBITDA	Rs. Cr.	12.87	12.93	12.00
PAT	Rs. Cr.	0.63	0.50	0.36
EBITDA Margin	(%)	4.23	4.09	3.36
PAT Margin	(%)	0.21	0.16	0.10
ROCE	(%)	7.57	8.40	7.69
Total Debt/Tangible Net Worth	Times	3.13	3.32	2.82
PBDIT/Interest	Times	1.32	1.24	1.36
Total Debt/PBDIT	Times	8.22	8.46	7.60
Gross Current Assets (Days)	Days	193	207	177

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

None

#### **Any other information**

None

#### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	79.20	ACUITE B+/ Stable
Letter Of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4

#### **Contacts**

Analytical	Rating Desk
Aditya Gupta Head – Corporate and Infrastructure Sector Ratings Tel: 022-67141191 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Amogh Kharkar Manager - Rating Operations Tel: 022-67141315 <a href="mailto:amogh.kharkar@acuite.in">amogh.kharkar@acuite.in</a>	

**About Acuité Ratings & Research:**

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