

Press Release

Anunay Fab Limited

July 28, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.85.20 crore#
Long Term Rating	ACUITE B+/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

Rationale for rating reaffirmation

The rating reaffirmation draws comfort from the experience of the management, and its diversified customer base, average financial risk profile marked by moderate net worth and improving gearing and debt protection metrics. However, the ratings continue to remain constrained due moderation in its profitability indicators, restricted operational performance and intensive nature of working capital operations.

About the Company

Gujarat-based, AFL was incorporated in 1994 by Anjani Agarwal, Purushottam Agarwal Mahadev Kharwal. The company manufactures made-up home textile products, largely bed sheets. AFL is also engaged in the trading of grey cloth. The company purchases grey fabric, which is processed on job work basis. The company generates over 50% of revenue from exports.

Analytical Approach

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

Key Rating Drivers

Strengths

• **Established track record of operations and experienced management**

AFL was incorporated in 1994. The directors of the company, Mr. Purushottam Agarwal and Mr. Anjani Agarwal have an experience of more than two decades in the aforementioned line of business. The experience of management has helped the company to develop healthy relationships with customers and suppliers.

Acuité believes that AFL will sustain its existing business profile backed by experienced management.

• **Well diversified geographical operations with reputed clientele**

AFL caters across India and globally to countries such as USA, Europe, Canada and UK. It has an establishing presence in the textile industry. AFL has long term relations with customers which ensures repeated orders.

Acuité expects the established position in the industry and healthy relations with both customers as well as suppliers will help the company to maintain stable credit profile in the medium term.

Weaknesses

- **Average Financial Risk Profile**

The company has average financial risk profile marked by modest net worth, high gearing and average debt protection metrics. The net worth stood around at Rs.34.79 crore as on 31 March, 2021 (Provisional) as against Rs.34.64 crore as on 31st March 2020 due to modest accretion to reserves. The firm has followed an aggressive financial policy in the past; the same is reflected through its gearing levels of 2.75 times as on March 31, 2020. The gearing improved to 2.96 times as on March 31, 2021. The debt of Rs.102.87 as on FY2021 mainly consists long term debt of Rs.1.78, unsecured loan from directors and promoters Rs.3.50 crore and short term debt Rs.94.45 crore. Further, the interest coverage ratio stood at 1.16 times for FY2020 as compared to 1.21 times for FY2021 (Provisional). Total outside liabilities to total net worth (TOL/TNW) stood high at 4.07 times as on 31 March 2021. Acuité believes that financial risk profile of the firm is likely to remain average over the medium term, on account of high gearing and average debt protection metrics.

- **Working Capital Intensive of nature**

The operations of the company are working capital intensive marked by gross current assets (GCA) of 347 days in FY2021 as compared to 296 days in FY2020. This is on account of high debtor collection period of 94 days in FY2021 (Provisional) as against 51 days in FY2020 due to longer payment realization. Further, the inventory holding period also remained very high at 263 days in FY2021 (Provisional) as against 247 days in FY2020. Acuité believes that the working capital operations of the company will continue to remain intensive over the medium term on account of elongated debtor collection period and high inventory holding period.

Rating Sensitivity

- Substantial improvement in profitability margins.
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Material Covenants

None

Liquidity position – Stretched

The firm has stretched liquidity marked by low net cash accruals of Rs. 1.88 crore as against debt obligation of Rs. 3.21 crore for FY2021 (Provisional). However, the promoters had infused funds in form of unsecured loans to support the repayment of debt. The Gross Current Asset (GCA) days stood high at 347 days for FY2021 (Provisional). The firm maintains unencumbered cash and bank balances of Rs. 1.39 crore as on 31 March, 2021 (Provisional). The current ratio stood at 1.16 times as on FY2021 (Provisional). Acuité believes that the liquidity of the firm is likely to remain stretched over the medium term on account of low profitability and declining scale of operations.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook on account of experienced management. The outlook may be revised to 'Positive' in case of significant improvement in working capital operations while, maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in scale of operations or profitability or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY21 (Prov)	FY20 (Actual)
Operating Income	Rs. Cr.	165.20	179.47
PAT	Rs. Cr.	0.19	0.53
PAT Margin	(%)	0.11	0.30
Total Debt/Tangible Net Worth	Times	2.96	2.75
PBDIT/Interest	Times	1.16	1.21

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
03-Feb-2020	Cash Credit	Long term	79.20	ACUITE B+/ Stable (Upgraded)
	Letter of Credit	Short term	6.00	ACUITE A4 (Reaffirmed)
04-Oct-2019	Cash Credit	Long term	79.20	ACUITE C (Downgraded)
	Letter of Credit	Short term	6.00	ACUITE A4 (Reaffirmed)
24-Aug-2018	Cash Credit	Long term	79.20	ACUITE B+/ Stable (Assigned)
	Letter of Credit	Short term	6.00	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	79.20	ACUITE B+/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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