

Press Release

Anunay Fab Limited

October 20, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.00	-	ACUITE A4 Reaffirmed
Bank Loan Ratings	79.20	ACUITE B+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	85.20	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the 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 loan facilities of Anunay Fab Limited (AFL). The outlook is 'Stable'.

Rationale for Rating Reaffirmation

The rating reaffirmation reflects the established track records of operations along with experienced management and its diversified customer base. However, the rating continue to remain constrained with moderate financial risk profile along with below average debt protection metrics, stretched liquidity and intensive nature of working capital operations.

About the Company

Founded in 1992, Anunay Fab Limited (AFL) manufactures made-up home textile products. It is also engaged in the trading of grey cloth. The company purchases grey fabric, which is then processed on job work basis. They also have in-house manufacturing facility for grey fabric. The company then cuts and stitches the processed material to largely bed sheets and comforters, then packages the same. Majority of the final products are exported.

Analytical Approach

Acuite 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 1992. The directors of the company, Mr. Purshottam 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. The experience of the management is also reflected through increase in turnover to Rs 191.41 Cr in FY 2022 as against Rs 165.42 Cr in FY 2021.

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. Acuite 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

Moderate Financial Risk Profile

The company has moderate financial risk profile marked by modest net worth, high gearing and below average debt protection metrics. The net worth stood at Rs.35.61 crore as on 31st March 2022 (Provisional) as against Rs.35.02 crore as on 31st March 2021. The gearing marginally improved to 2.67 times as on March 31, 2022 (Prov) from 2.91 times as on March 31, 2021 due to less utilization in short term debt in year end. Further, the interest coverage ratio stood at 1.28 times for FY2022 (Provisional) as compared to 1.18 times for FY2021. The debt of Rs.95.10 as on FY2022 mainly consists of long term debt of Rs.12.83 crore, unsecured loan from directors and promoters Rs. 9.94 crore and short-term debt Rs. 66.68 crore. Total outside liabilities to total net worth (TOL/TNW) stood high at 3.85 times as of 31st March 2022 (Prov) as against 4.05 times as of 31st March 2021. The debt service coverage ratio stood below average at 0.99 times as of 31st March 2022 (Prov) as against 0.92 times as of 31st March 2021.

Acuite believes that financial risk profile of the company is likely to remain moderate over the medium term on account of higher reliance on short term borrowings and thin profitability margins.

Working Capital Intensive in Nature

The company's operation are working capital intensive in nature with GCA days of 290 days in FY2022 (Prov) as against 347 days in FY 2021. GCA days majorly consists of inventory days of 222 days in FY2022 as against 262 days in FY2021. The company is maintaining an average inventory of 180 days with an average amount of Rs 70-80 crores. The Debtor days are 72 days in FY2022 as against 93 days in FY2021 which are within the credit period allowed to customer of 60-90 days. Creditor days stood at 68 days in FY2022 as against 50 days in FY2021. Average bank limit utilisation remained at an average of 90-95% for the period of 6 months ended July 2022.

Acuite believes that working capital operations will remain intensive over the medium term on account of high inventory holding period.

Rating Sensitivities

- Improvement in scale of operations along with maintenance of profitability margins.
- Elongation of working capital cycle

Material covenants

None.

Liquidity: Stretched

The firm's liquidity remained stretched with net cash accruals of Rs. 2.44 crore in FY2022 as against maturing debt obligation of Rs 2.59 Cr during the same period. Further, going forward net cash accruals are expected to remain within a range of 4.50-6.76 Cr in FY 2023-24 against the maturing debt obligation of Rs 3.30-5.66 Cr during the same tenure. The firm-maintained cash and bank balances of Rs. 0.14 crore as on 31 March 2022. The average bank limit utilization stood at 90-95% for the last six months ended July 2022. The current ratio improved

to 1.35 times in FY2022 (Provisional) from 1.16 times in FY2021.

Acuite believes liquidity position if the firm is likely to remain stretched on account of low cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuite 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	191.41	165.42
PAT	Rs. Cr.	0.60	0.38
PAT Margin	(%)	0.31	0.23
Total Debt/Tangible Net Worth	Times	2.67	2.91
PBDIT/Interest	Times	1.28	1.18

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-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jul 2021	Cash Credit	Long Term	79.20	ACUITE B+ Stable (Reaffirmed)
	Letter of Credit	Short Term	6.00	ACUITE A4 (Reaffirmed)
03 Feb 2020	Cash Credit	Long Term	79.20	ACUITE B+ Stable (Upgraded from ACUITE C)
	Letter of Credit	Short Term	6.00	ACUITE A4 (Reaffirmed)
04 Oct 2019	Letter of Credit	Short Term	6.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	79.20	ACUITE C (Downgraded from ACUITE B+ Stable)
24 Aug 2018	Cash Credit	Long Term	78.00	ACUITE B+ Stable (Assigned)
	Letter of Credit	Short Term	6.00	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	66.00	ACUITE B+ Stable Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4 Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	13.20	ACUITE B+ Stable Reaffirmed

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About Acuité Ratings & Research

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