



Rating Rationale

Angel Cottex

20 Aug 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 7.12 Crores of Angel Cottex...

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	7.12	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook:Stable
Total	7.12	INR Seven Crores and Twelve Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm's audited financial results upto FY17, provisional financials of FY18 as well as publicly available information and the information/clarifications provided by the firm.

The ratings draws strength from experience of management in the line of business, moderate scale of operations, Average financial risk profile and proximity of the manufacturing unit to the cotton producing belt of Gujarat. However, the rating is constrained by low profit margins, working capital intensive nature of operations and competitive nature of the industry. Further, being a partnership firm, any significant withdrawal from the capital/current account by the partners would adversely impact the capital structure, hence this remains a rating sensitivity.

Going forward, the ability of the firm to increase profitability, manage working capital efficiently will be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

1. **Experience of management in the same line of business:**Partners of Angel Cottex have an experience of around 8 years in the cotton industry.
2. **Moderate scale of operations:** The firm has reported an operating income of Rs.38.36 Crs in



FY17 which further improved to Rs.47.74 Crs as per FY18 provisional financials.

3. **Geographical advantage:** The manufacturing unit of the concern is located near the cotton producing belt of Gujarat which gives easy access to availability of raw material.
 4. **Average financial risk profile:** AC has marginally high gearing at 1.85 times in FY17 which further decreased to 1.42 times in FY18 (provisional). Further, north the debt protection metrics remained comfortable in FY17. Above average current ratio at 1.43 times in FY18 indicating adequate liquidity in the firm.
- **Credit Risks:**
 1. **Low profitability** as reflected by OPM & NPM of 2.22% & 0.07 % in FY17 & further down to 2.11 % & 0.04 % in FY-18 respectively.
 2. **Working capital intensive nature of operations:** The firm has working capital intensive nature of operations reflected by long conversion cycle of 87 days in FY17 coupled with high days of inventory of 75 days.
 3. **Fragmented and competitive nature of industry:** There are high number of organized as well as unorganized players in the market. Hence, competition may have an adverse effect to the operating profit/margin of the firm.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook:Stable

BWR believes the **Angel Cottex** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

M/s Angel Cotex (WC) is a partnership firm established in the year 2013 in Jamnagar, Gujarat. The firm is engaged in ginning and pressing of cotton. WC procures raw cotton from local farmers and processes it to produce cotton bales and cotton seeds. The same is later supplied to traders and other cotton oil mills. The production capacity of the factory is 200 MT of cotton bales per day. The firm has in total 13 employees.

Company Financial Performance

The firm reported a net revenue from operations of Rs. 47.74 Crs in FY18 (Provisional) against Rs. 38.36 Crs in FY17. The firm has net profit margin of 0.07% in FY17. Tangible net worth stood at Rs. 4.11 Crs as on 31st March 2017.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1.	Fund Based	Long Term	7.12	BWR B+ (Outlook:Stable)	NA	NA	NA
	Total		7.12	₹ Seven Crores and Twelve Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments
Any other information

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	38.36	39.60
EBITDA	₹ Cr	0.85	1.14
PAT	₹ Cr	0.03	0.02
Tangible Net worth	₹ Cr	4.11	4.18
Total Debt/Tangible Net worth	Times	1.85	1.91
Current Ratio	Times	1.43	1.44

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)



For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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