

Rating Report

Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 85.20 Cr of Anunay Fab Ltd.

Brickwork Ratings has assigned following **Ratings**¹ for Bank Loan Facilities of Anunay Fab Ltd (*AFL or the 'Company'*).

Facility	Limit (₹ Cr)	Tenure	Rating
Fund Based: CC/ PC/ PCFC/ FBP/ FBD/ FCBP/ FCBD/ FBN	66.00	Long Term	BWR BB- (BWR Double B Minus) (Outlook: Stable)
Fund Based: Standby limit: PC/ PCFC/ FBP/ FBD/ FCBP/ FCBD/ FBN	13.20	Short Term	BWR A4 (BWR A Four)
Non Fund Based: LC	6.00		
Total	85.20	INR Eighty Five Crores & Twenty Lakhs only	

*The above fund based limits are fully interchangeable in one another but the total limit should not exceed ₹ 79.20 Cr.

The rating, inter alia, factors the experience of promoters in the textile business, growth in revenue during FY14, moderate net worth and established relationships with its export customers. The rating is, however, constrained by the Company's working capital intensive operations due to high inventory holding days, low profitability and the intensely competitive home-textile market.

BWR has essentially relied upon audited financial results up to FY13, provisional financial results for FY14, projected financials for FY15, publicly available information and information provided by the management.

Background:

Anunay Fab Ltd was incorporated on May 26, 1992 as a Private Limited Company. The Company was then converted into a Public Limited Company on November 23, 2005. The

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Company's registered office is located at Ambawadi, Ahmedabad and is promoted by Mr Purshottam Agrawal and Mr Anjani Agrawal.

The Company is engaged in the manufacture and export of Home Textiles like Bed Sheets, Curtains, Towels, Cotton fabrics, Pillow covers, Cushion covers, etc.

The company purchases Grey Cloth which is later processed, printed, cut and stitched to produce the furnishings. Processing of Grey Cloth is outsourced, whereas the other processes are carried out at the Company. The Company is recognized as a "Two star Export House" by the Government of India. Around 67 per cent of AFL's revenues are generated from exports to USA, Europe, etc., while the rest is from local sales.

Management:

Mr Purshottam Agrawal has over 25 years of experience in the textile market and is responsible for procurement and execution of orders at the Company. Mr Anjani Agarwal has over 15 years of experience and is instrumental in building and maintaining relationships with customers in the International market.

Financial Performance:

AFL's net revenue from operations was more or less stagnant at ₹ 271.11 Crores in FY13 (₹ 267.07 Crores in FY12). Profit margins are low, and in FY13, the Company reported a net profit after tax of ₹ 0.40 Crs. Their net worth stood at ₹ 31.43 Crs as of March 31, 2013. The company has some Term Loans from SIDBI, apart from working capital facilities from their bankers. As on March 31, 2013, Overall Debt: Equity Ratio was around 3.19 times and Long Term Debt: Equity Ratio was low at 0.34 times.

The Company has informed that as per provisional financial statements, they have recorded a 19.51% increase in net revenue from ₹ 271.11 Crores in FY13 to ₹ 324.00 Crs in FY14.

Credit Risk Analysis:

Exports account for 67% of AFL's turnover, and presently, most of the exports are to countries in North America and Europe. As such, issues relating to economies of these countries, and AFL's competitiveness in terms of quality and pricing will influence growth.

AFL purchases Grey Cloth and outsources further processing and finishing. It then prints, cuts, stitches and does embroidery to produce the furnishings which is a somewhat limited value addition process resulting in thin margins. This industry is characterized by high competition with the presence of a few established players and a large number of unorganized players. Intense competition has a negative impact on the margins of Home-textile exporters. Inventory holding is also high, which results in increased working capital

borrowings and interest cost. However, the company has a good track record of timely realization of export receivables.

Rating Outlook:

AFL’s performance over the next year is expected to be stable. Going forward, the Company’s ability to scale up operations with value added products, manage forex risk, improve profitability and efficiently manage working capital, especially inventory will be the key rating sensitivities.

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Annexure I

Profit and Loss Statement

Anunay Fab Ltd	In ₹ Crores		
	FY11 (Audited)	FY12 (Audited)	FY13 (Audited)
Net Sales	225.41	257.70	257.69
Other Operating Income	6.96	9.38	13.42
Total Operating Income	232.38	267.07	271.11
Operating Expenses	221.72	255.48	257.15
Operating Profit Before Depreciation, Interest and Taxes	10.66	11.59	13.96
Depreciation	2.35	2.24	1.98
Operating Profit Before Interest and Tax	8.31	9.35	11.98
Interest and Finance Charges	8.76	11.80	12.64
Operating Profit Before Tax	-0.46	-2.44	-0.66
Non- Operating Income(Expenses)	1.44	2.74	1.19
Profit Before Tax	0.99	0.29	0.53
Provision for Taxes	0.13	-0.01	0.13
Profit After Tax	0.85	0.31	0.40

Annexure II			
Balance Sheet			
Anunay Fab Ltd	In ₹ Cr		
	FY11 (Audited)	FY12 (Audited)	FY13 (Audited)
EQUITY AND LIABILITIES			
Equity & Reserves	30.72	31.03	31.43
Share Capital	7.61	7.61	7.61
Share Application money Pending allotment	4.15	4.15	4.15
Reserves and Surplus	18.97	19.27	19.67
Non-current liabilities	20.03	14.87	10.85
Long-Term Borrowings	19.73	14.62	10.65
Deferred tax Liabilities (Net)	0.30	0.25	0.20
Current liabilities	117.88	114.48	130.90
Short-Term Borrowings	75.63	73.29	86.40
Current Portion Of Long Term Debt	5.32	5.18	3.26
Trade Payables	34.65	34.10	39.34
Other Current Liabilities	1.76	1.57	1.31
Short-Term Provisions	0.52	0.34	0.59
Total Liabilities	168.64	160.38	173.18
ASSETS			
Non-current assets	17.49	15.70	14.86
Net Fixed assets	17.46	15.59	14.85
Capital Work-In-Progress	0.00	0.09	0.00
Preliminary expenses not written off	0.03	0.02	0.01
Current assets	151.15	144.68	158.32
Current Investments	0.00	0.00	0.00
Inventories	73.43	90.78	96.51
Trade Receivables > Six Months	16.55	12.86	22.77
Trade Receivables < Six Months	47.50	27.92	25.76
Cash and Cash Equivalents	1.25	1.52	1.59
Short-Term Loans and Advances	12.42	11.59	11.70
Total Assets	168.64	160.38	173.18

Annexure III

Key Financial Ratios

Anunay Fab Ltd

		FY11 (Audited)	FY12 (Audited)	FY13 (Audited)
Tangible Net Worth	Crores	30.69	31.01	31.43
Total Debt/ Tangible Net worth	Times	3.28	3.00	3.19
Long Term Debt/ Tangible Net worth	Times	0.64	0.47	0.34
ISCR	Times	1.22	0.98	1.10
DSCR	Times	1.37	0.84	0.84
Operating Profit Margin	Per cent	4.59	4.34	5.15
Net Profit Margin	Per cent	0.37	0.12	0.15
Net Cash Accruals/Total Debt	Times	0.03	0.01	0.02
ROCE	Per cent	6.31	7.30	9.35
Current Ratio	Times	1.28	1.26	1.21

(Note: The ratios are as per BWR calculation)