



Press Release

Annapoorani Textiles Private Limited

April 02, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	29.65	IVR BBB-/Credit Watch with Developing Implication (IVR Triple B Minus under credit watch with developing implications)	Assigned
	Total	29.65		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Annapoorani Textiles Private Limited comfort from its experienced promoters and long track record of operations. The rating also factors its consistent scale of operations, comfortable capital structure with healthy debt protection metrics and comfortable operating cycle. However, these rating strengths are partially offset by thin margins and exposure to intense competition in the highly fragmented Indian textile industry.

Key Rating Sensitivities:

Upward Factor:

- ✓ Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- ✓ Improvement in the capital structure with further improvement in debt protection metrics

Downward factor:

- ✓ Dip in operating income and/or profitability further impacting the debt coverage indicators and/or further deterioration in the financial risk profile
- ✓ Any further significant rise in working capital intensity or unplanned capex leading to a further deterioration in the liquidity position.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operations under experienced promoters

Company is promoted mainly by Mr. B. Vasu and Mr. B. Jaishankar. Mr. B. Vasu is the Promoter and Director of Annapoorani Textiles Private Limited and has been involved into manufacturing and trading of fabrics for the past 35 years. Mr. B. Vasu has managed the banking, financials, marketing areas of business and managed the business transactions with suppliers and buyers across the country. Mr. B. Jaishankar is another promoter and director of the company and has been involved into manufacturing and trading of fabrics for the past 30 years. He has mainly managed the production, personnel management, factory management, machinery maintenance.

Company is involved into manufacturing of grey fabric since last three decades. The business was carried earlier under the three proprietorship firms namely M/s Annapoorani Textile (APT), M/s Annapoorani Fabrics (APF), M/s Sree Annapoorani Tex Mills (SATM). During the year 2017-18, the business of the three proprietorship firms was transferred into Annapoorani Textiles Private Limited (ATPL) for better administrative and operational convenience. All the assets and liabilities of the firms were transferred as a whole, and the same business is continued under the corporate status on and from March 01, 2018 onwards.

Consistent Scale of Operations

The Scale of operations has remained consistent over the last two years and as per 11MFY21 (Prov) results. Total Operating Income increased from Rs.137.16 Crores in FY19 to Rs.140.22 Crores in FY20. As per 11MFY21 (Prov) results, total operating income reported by the entity is Rs.105.90 Crores. EBITDA increased to Rs.6.58 Crores in FY20 as against Rs.5.02 Crores in FY19. As per 11MFY21 (Prov) results, EBITDA reported is Rs.8.23 Crores and PAT reported is Rs.4.07 Crores.

Comfortable capital structure with healthy debt protection metrics

The overall gearing of the company stood comfortable at 1.12x as on March 31, 2020. The Entity is having comfortable debt protection metrics i.e. ISCR & DSCR stood at 2.64x & 1.49x in FY20 as against 2.34x & 2.25x in FY19. The Networth stood at Rs.18.88 Crores in FY20 as



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against Rs.16.28 Crores in FY19. As per 11MFY21 (Prov CA Certified) results, TNW further increased to Rs.22.95 Crores. TOL/TNW improved to 2.67x in FY20 as against 3.03x in FY19.

Comfortable Operating Cycle

Cash conversion cycle remains comfortable at 60 days in FY20 (PY 54 days) which reflects lower reliance on working capital debt. The Company is able to fund its working capital requirement on the back of favorable market demand and able to stretch its payables which poses positive impact on cash flow.

Key Rating Weaknesses

Thin Margins

The margins remained thin over the last 2 years as indicated by EBITDA margin of 4.69% in FY20 as against 3.66% in FY19. PAT margins stood at 1.85% in FY20 as against 1.84% in FY19.

Exposed to intense competition in the highly fragmented Indian textile industry

The textile industry segment is characterized by high levels of fragmentation and low entry barriers across the value chain. The company faces stiff competition in the domestic market and from other upcoming players because of lower production costs, ease-of-doing-business, and availability of cheap labour.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity - Adequate

The company has adequate liquidity as seen by expected Gross Cash Accruals of ~ Rs.5.95 Crores in FY21 as against current maturities of long term borrowings amounting to Rs.0.86 Crore as on March 31, 2020. Company's working capital limits are utilized to the extent of ~80% during the past 11 months ended February, 2021 indicating sufficient liquidity buffer. The current ratio was 1.37x as on March 31, 2020.

About the Entity

Annapoorani Textiles Private Limited was incorporated in the year 2015 with registered office in Erode, Tamil Nadu. Company is promoted by Mr. B. Vasu, Mr. B. Jaishankar, Ms. B. Saraswathi, Ms. V. Kamala and Ms. J. Surya. All the promoters are the family members and engaged in the business since last 35 years. Company is involved into manufacturing of grey fabric since last three decades. The business was carried earlier under the three proprietorship firms namely M/s Annapoorani Textile (APT), M/s Annapoorani Fabrics (APF), M/s Sree Annapoorani Tex Mills (SATM). All the assets and liabilities of the firms were transferred as a whole and the same business is continued under the corporate status on and from March 01, 2018 onwards.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	137.16	140.22
EBITDA	5.02	6.58
PAT	2.53	2.60
Total Debt	16.54	21.10
Tangible Net worth	16.28	18.88
EBITDA Margin (%)	3.66	4.69
PAT Margin (%)	1.84	1.85
Overall Gearing Ratio (x) on Book TNW	1.02	1.12

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	CC/WCDL	Long Term	22.32	IVR BBB-/Credit Watch with Developing Implication (IVR Triple B Minus under credit watch with developing implications)	-	-	-
2.	GECL Demand Loan	Long Term	3.58	IVR BBB-/Credit Watch with Developing Implication (IVR Triple B Minus under credit watch with developing implications)	-	-	-
3.	WCTL	Long Term	3.75	IVR BBB-/Credit Watch with Developing Implication (IVR Triple B Minus under credit watch with developing implications)			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities –CC/WCDL	-	-	-	22.32	IVR BBB-/Credit Watch with Developing Implication (IVR Triple B Minus under credit watch with developing implications)
Long Term Bank Facilities –GECL Demand Loan	-	-	-	3.58	IVR BBB-/Credit Watch with Developing Implication (IVR Triple B Minus under credit watch with developing implications)
Long Term Bank Facilities –WCTL	-	-	-	3.75	IVR BBB-/Credit Watch with Developing Implication (IVR Triple B Minus under credit watch with developing implications)