March 28, 2024

Anthony Garments Private Limited: Long-term rating upgraded to [ICRA]BB- (Stable), short-term rating reaffirmed and ratings removed from ISSUER NON-COOPERATING Category; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based – Term Loan	4.15	14.07	[ICRA]BB- (Stable); Rating upgraded from [ICRA]B+ (Stable) ISSUER NOT COOPERATING and removed from Issuer Not Cooperating category and assigned for the enhanced amount
Short Term – Fund Based – Cash Credit	40.00	0.00	--
Short Term – Non-Fund Based – Others	3.10	0.10	[ICRA]A4; reaffirmed and removed from Issuer Not Cooperating category
Short Term – Fund Based – Domestic/export credit facility	0.00	33.50	[ICRA]A4; reaffirmed and assigned; removed from Issuer Not Cooperating category
Long Term – Unallocated Limits	3.03	4.61	[ICRA]BB- (Stable); Rating upgraded from [ICRA]B+ (Stable) ISSUER NOT COOPERATING and removed from Issuer Not Cooperating category and assigned for the enhanced amount
Total	**50.28**	**52.28**	

**Instrument details are provided in Annexure-I*

Rationale

Anthony Garments Private Limited's (AGPL) long-term rating has been upgraded and the short-term rating has been reaffirmed. Also, the ratings have been removed from the Issuer Not Cooperating category after the company cooperated in sharing the required information.

The assigned ratings derive comfort from the established track record and experience of the promoters in garments manufacturing business. The ratings also consider the company's established business tie-ups with reputed international brands such as Primark Inc. and Coppel Corporation, which are reputed apparel brands in the Europe, the US, and in gulf countries such as Saudi Arabia.

The ratings, however, remain constrained by AGPL's weak financial profile, led by contraction in its revenue following a major decline in demand from the European market (which is attributed to adverse geopolitical situations related to the Russia-Ukraine war). Additionally, the company's capital structure and debt coverage metrics were adversely impacted due to increased working capital borrowings, low accruals and small net worth base. Further, the company remains susceptible to intense competition and thin operating margins inherent in the garments manufacturing business. The ratings also consider high geographical and customer concentration risks as AGPL makes a major part of its sales to the European markets. Further, the company remains exposed to the volatility in foreign exchange rates as exports contributed around 78% to its total sales in FY2023.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company is likely to sustain its operating metrics even though its revenue may remain under pressure in the near term. Further, the outlook underlines ICRA's expectation that the firm's high utilisation of the working capital limit will be funded in such a manner so that it can durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Established track record and experience of promoters in textile business – The promoters have been involved in the company's operations for more than two decades and have extensive experience in the textile business.

Strong relationship with customers and suppliers – The ratings also consider the company's established business tie-ups with reputed international brands such as Primark Inc. and Coppel Corporation, which are reputed apparel brands in the Europe, the US, and in gulf countries such as Saudi Arabia. Additionally, long experience of the promoters in the garment manufacturing industry has enabled the company to develop strong relationships with its suppliers.

Credit challenges

Weak financial profile – The company's financial performance deteriorated in FY2023, led by a contraction in its revenue following a major decline in demand from the European market, which is attributed to adverse geopolitical situations related to the Russia-Ukraine war. Additionally, the company's capital structure and debt coverage metrics were adversely impacted due to increased working capital borrowings, low accruals and a small net worth base. However, ICRA expects that demand in Europe is likely to witness some recovery in FY2025, which would support the company's revenue growth.

Intense competition and thin operating margins inherent in the textile business – The textile manufacturing industry is fragmented and is characterised by intense competition. The company faces competition from many organised and unorganised players, which restricts its pricing flexibility and limits its operating margin.

Exposed to high geographical and customer concentration risks – The company's sales to the top three customers contributed about 78% and 74% to the total revenues in FY2022 and FY2023, respectively, making AGPL susceptible to variability in demand from the top customers. The company is also exposed to high geographical concentration as the major part of its sales is generated from the European market.

Exposure to foreign exchange volatility risk – AGPL's margins are susceptible to forex rate fluctuations because exports are the primary source of its revenues (78% in FY2023). A major part of the company's revenues is denominated in GBP, followed by USD and euro. However, the company's receivables are hedged through forward contracts, which mitigate the risk of forex rate fluctuation to some extent.

Liquidity position: Stretched

AGPL's liquidity position is stretched, as evident from 96% average utilisation of fund-based limits during the 12-month period ending in December 2023, low profitability, and negative free cash flows. The company has moderate repayment obligation in FY2024. The expected cash flows and need-based support, in the form of unsecured loans from the promoters, would be critical in meeting any cash flow mismatch.

Rating sensitivities

Positive factors – ICRA could upgrade the company's ratings if there a consistent increase in its revenue, profitability and cash accruals, resulting in an improved liquidity and net worth base on a sustained basis.

Negative factors – Pressure on the company's ratings could arise if there is a significant decline in its revenues or a stretch in the working capital cycle, resulting in further weakening of liquidity. A substantial increase in debt, leading to a deterioration in the capital structure on a sustained basis, will also be a credit negative. Specific credit metrics that could result in ratings downgrade include an interest cover of less than 2.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Textiles - Apparels
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the company's standalone financial profile

About the company

Anthony Garments Private Limited, incorporated in 2004 by Mr. Joseph Anthony in Tirupur, primarily manufactures and exports knitwear and hosiery items with major focus on ladies and kids wear. At present, the company procures raw materials (yarn) from the local market in and around Tirupur and undertakes processing like fabric cutting, stitching, and printing to manufacture final readymade garments. AGPL's major export destination is the European market with major focus on the UK, Ireland, The Netherlands, and Spain.

Key financial indicators (audited)

AGPL Standalone	FY2022	FY2023
Operating income	131.6	83.2
PAT	2.1	0.5
OPBDIT/OI	7.7%	11.8%
PAT/OI	1.6%	0.6%
Total outside liabilities/Tangible net worth (times)	3.8	3.4
Total debt/OPBDIT (times)	6.4	6.8
Interest coverage (times)	2.3	3.1

Source: AGPL, ICRA Research; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 21, 2024 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Mar 28, 2024	Mar 22, 2023	Feb 23, 2022	Dec 17, 2020
1	**Fund Based – Term Loan**	Long term	14.07	14.07	**[ICRA]BB- (Stable)**	**[ICRA]B+ (Stable) ISSUER NOT COOPERATING**	**[ICRA]B+ (Stable) ISSUER NOT COOPERATING**	**[ICRA]B+ (Stable) ISSUER NOT COOPERATING**
2	**Fund Based – Cash Credit**	Short term	-	NA	-	**[ICRA]A4 ISSUER NOT COOPERATING**	**[[ICRA]A4 ISSUER NOT COOPERATING**	**[ICRA]A4 ISSUER NOT COOPERATING**
3	**Non-Fund Based – Others**	Short term	0.10	NA	**[ICRA]A4**	**[ICRA]A4 ISSUER NOT COOPERATING**	**[ICRA]A4 ISSUER NOT COOPERATING**	**[ICRA]A4 ISSUER NOT COOPERATING**
4	**Fund Based – Domestic/export credit facility**	Short term	33.50	NA	**[ICRA]A4**	-	-	-
5	**Unallocated**	Long term	4.61	NA	**[ICRA]BB- (Stable)**	**[ICRA]B+ (Stable) ISSUER NOT COOPERATING**	**[ICRA]B+ (Stable) ISSUER NOT COOPERATING**	**[ICRA]B+ (Stable) ISSUER NOT COOPERATING**

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund Based – Term Loan	Simple
Short Term – Non-Fund Based – Others	Very Simple
Short Term – Fund Based – Domestic/export credit facility	Simple
Long Term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here]

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Fund Based – Term Loan**	Sep 2020	NA	Dec 2029	14.07	[ICRA]BB- (Stable)
NA	**Non-Fund Based – Others**	NA	NA	NA	0.10	[ICRA]A4
NA	**Fund Based – Domestic/export credit facility**	NA	NA	NA	33.50	[ICRA]A4
NA	**Unallocated**	NA	NA	NA	4.61	[ICRA]BB- (Stable)

Source: AGPL

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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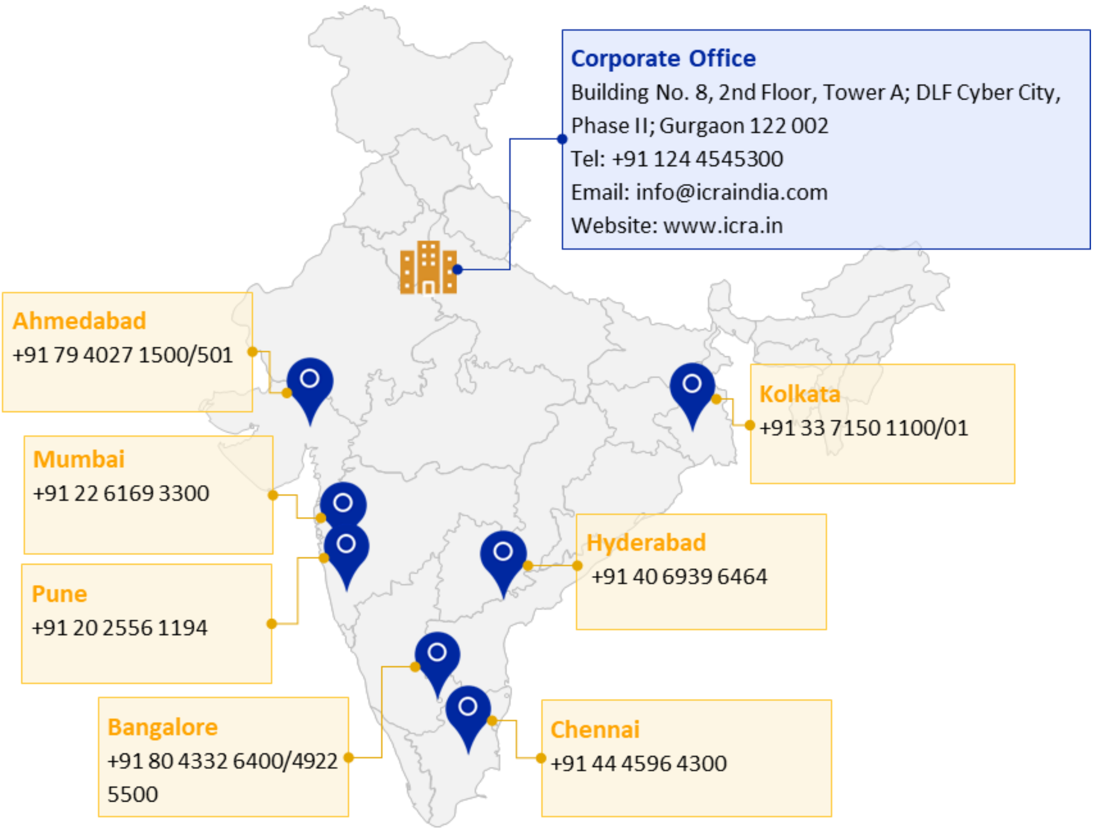

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