



SMERA RATINGS LIMITED

Golden Apparels Exports Private Limited (GAEPL)

*Rating
Rationale*

January 21, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	13.27	SMERA A-/Stable (Assigned)
Cash Credit	5.75	SMERA A-/Stable (Assigned)
Bank Guarantee	0.50	SMERA A2+ (Assigned)

SMERA has assigned a long term rating of **'SMERA A-' (read as SMERA single A minus)** and a short-term rating of **'SMERA A2+' (read as SMERA A two plus)** to the Rs.19.52 crore bank facilities of Golden Apparels Exports Private Limited (GAEPL). The outlook is **'Stable'**.

For arriving at the ratings, SMERA has consolidated the business and financial risk profiles of Golden Apparels Exports Private Limited, Golden Terry Towel Private Limited, Golden Texo Fabs Private Limited, Golden Floor Furnishing Private Limited and Golden International Private Limited, together referred to as the Golden group. The consolidation is due to the common promoters, shared brand name, common treasury and financial synergies within the group.

The ratings are supported by the group's established presence in the textile industry, proven track record of six decades, extensive industry experience of the promoters, significant growth in scale of operations on account of better capacity utilisation and healthy financial risk profile. The ratings also draw support from the interest benefits the group derived from TUFs (Technology Upgradation Fund Scheme) and group's established relationship with customers and suppliers. However, the ratings are constrained by the group's exposure to foreign exchange fluctuation risk and susceptibility of group's profit margins to volatility in raw material prices. The ratings also factor the group's exposure to intense competition prevalent in the textile industry.

Golden group, promoted in 1950 is engaged in the manufacture of terry towel, mink blankets, polyester blanket, carpets and retail business. The group is managed by Chugh family, has more than six decades of presence in the textile industry.

Currently the group is operating at a capacity of ~75 percent which is expected to improve going forward. The group's revenues have grown at a CAGR of ~26 per cent in the past three years ending March 31, 2015; the revenue increased to Rs.484.20 crore in FY2014-15 from Rs.307.22 crore in FY2012-13. The group is expected to report revenues of Rs.675-Rs.700 crore with an operating profit margin of ~11.50-12.00 per cent in FY2015-16. The net worth of the group stood at Rs.103.49 crore whereas debt-equity ratio stood at 1.77 times as on March 31, 2015. The interest coverage ratio (ICR) of the group stood at 3.64 times in FY2014-15. The group's financial risk profile is expected to improve going forward with absence of significant capex for the next 18-24 months.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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The group caters to domestic as well as overseas markets. Its client list includes reputed names such as Calvin Klein Home USA, K-Mart Australia Limited among others with most of the international players concentrated in USA followed by Europe, Australia and Canada.

The group's business is exposed to fluctuation in foreign exchange rates, as exports constitute ~22 percent of the group revenues in FY2014-15. Besides, the group's profit margins are exposed to volatility in raw material prices. The ratings also factor the group's exposure to intense competition prevalent in the textile industry.

Rating Sensitivity Factors

- Improvement in capacity utilization
- Debt-funded capital expenditure
- Working capital management and bank limit utilization

Outlook: Stable

SMERA believes that the outlook on the Golden Group will remain stable over the medium term. The outlook may be revised to 'Positive' in case the company registers significant increment in its revenue and profitability while improving its liquidity position. The outlook may be revised to 'Negative' in case of deterioration in its financial risk profile and stretched working capital cycle.

About the Company

Golden group, promoted in 1950 is engaged in the manufacture of terry towel, mink blankets, polyester blanket, carpets and retail business. Promoted by Mr. Narain Das Chugh, the group has presence of over six decades in the textile industry. The group has 12 manufacturing units and all the factories are located at Panipat, Haryana.

The net cash accrual (NCA) stood at Rs.36.41 crore on operating income of Rs.484.20 crore for FY2014-15, as compared with NCA of Rs.32.54 crore on operating income of Rs.389.64 crore in the previous year. In H1FY2015-16, the group reported NCA of Rs.32.81 crore on operating income of Rs.334.00 crore.

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