

Press Release

Golden Apparels Exports Private Limited

July 17, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 19.52 Cr.
Long Term Rating	ACUITE A/ Outlook: Stable
Short Term Rating	ACUITE A1

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE A**' (read as **ACUITE A**) and short term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.19.52 crore bank facilities of Golden Apparels Export Private Limited (GAEPL). The outlook is '**Stable**'.

The ratings continue to draw comfort from the established presence of Golden group in the home textile industry, its healthy financial risk profile and comfortable liquidity position. However, the aforementioned strengths are partially offset by the susceptibility to volatility in raw material prices, working capital intensive nature of operations and foreign exchange fluctuation risk along with intense competition in the home textile industry.

GAEPL is part of the Golden group based at Panipat and incorporated in 1995 by Mr. Bhupinder Kumar and Mrs. Kavita Chugh. The company is engaged in manufacturing of polar blankets and supplies in the domestic market.

Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of Golden Texo Fabs Private Limited, Golden Terry Towel Private Limited, Golden Floor Furnishing Private Limited, Golden Apparels Exports 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.

About the Group

Golden group promoted in 1950 by Mr. Narain Das Chugh is engaged in the manufacture of terry towel, mink blankets, polar blanket, carpets and retail business. Golden Group comprises of five companies i.e. Golden Texo Fabs Private Limited, Golden Terry Towel Private Limited, Golden Floor Furnishing Private Limited, Golden Apparels Exports Private Limited and Golden International Private Limited. Golden group has presence of over six decades in the textile industry. The group has 14 manufacturing units located at Panipat (Haryana) with a combined installed capacity of 52,895 Metric tonnes per annum (MTPA).

Key Rating Drivers

Strengths

- Established presence in the home textile industry**

Golden Group was established in 1950 by Panipat-based Mr. Narain Dass Chugh and family. The group provides wide range of home textile products including curtains, cushion covers, designer sheets, bed sheets, blankets, bath mats and towels. The group is among the top five manufacturers of terry towel and one of the largest mink blanket manufacturers in India. The group has more than 2 million Sq. Ft. of manufacturing space across 14 locations in Panipat and also 60,000 Sq. Ft. of retail space located in Panipat as well. Golden group exports its products to more than 50 countries across five continents and exports contribute around 21 percent of its total sales. The group 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 Australia followed by South Africa, Israel and USA. In the domestic market, the group supplies to wide network of distributors spread across all over the country. Besides manufacturing for other brands, Golden Group also sells in the domestic market under the brand name 'Golden'. Acuite believes that the extensive experience of the promoter will fortify the business risk profile of the group over the medium term.

• **Healthy financial risk profile**

The Golden group's financial risk profile continues to remain healthy marked by high net worth, moderate gearing and healthy debt protection measures. The net worth of the group is estimated to be around Rs.166.80 crore as on 31 March, 2018 (Provisional) as compared to Rs.97.57 crore as on 31 March, 2015. The improvement in net worth is attributable to accretion to reserves over the same period. The gearing is estimated at around 1.51 times as on 31 March, 2018 (Provisional) as compared to 1.71 times in the previous year. The total borrowings of Rs.251.04 crore as on 31 March, 2018 (Provisional) comprises of long term borrowings to the tune of Rs.138.60 crore and short term borrowings of Rs.104.35 crore and Rs.8.09 crore of unsecured loan from related parties. The moderate gearing levels is attributable to high incremental working capital requirements. The net cash accruals stood at Rs.54.80 crore for FY2018 (Provisional) as against Rs.42.13 crore in the previous year. The group generated cash accruals of Rs.150.02 crore over the last 3 years through March 31, 2018, while its incremental working capital requirement and routine capex over the same period is estimated to be around Rs.40.14 crore and Rs. 164.66 crore, respectively. This has led to higher reliance on working capital facilities. The interest coverage ratio (ICR) of the group stood at 4.27 times in FY2018 (Provisional) as compared to 4.48 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.52 times in FY2018 (Provisional) as compared to 1.64 times in FY2017. The total outside liabilities to tangible net worth stood at 2.03 times as on 31 March, 2018 (Provisional) as against 2.12 times in the previous year. The group continuously undertakes capacity expansion plans in the range of Rs.50-70 crore which are majorly funded by bank borrowings. Acuite, however, believes that the financial risk profile will continue to remain moderate on account of its healthy growth and stable operating margins.

The group has a satisfactory liquidity position as the average bank limit utilisation stood at around 85-90 percent for the last six months ended as on April 30, 2018. Acuite expects the overall financial metrics of the group to continue to remain healthy for the rating category assigned.

Weaknesses

• **Susceptible to volatility in raw material prices and foreign exchange fluctuation risk**

The main raw material purchased by the company is cotton and polyester yarn. Hence, the group's margins are susceptible to changes in cotton and polyester yarn prices. Cotton being an agricultural commodity, the availability and price of the same is highly dependent on agro-climatic conditions. Despite the prevalence of Minimum Support Price (MSP), the purchase price depends on the prevailing demand-supply situation which limits bargaining power with the suppliers as well. However, the group reported improvement in operating margin to 12.39 percent for FY2018 (Provisional) as against 9.68 percent for FY2017 which was also on account of decline in raw material prices though to a limited extent. The price fluctuation in the polyester yarn would have an impact on the profitability.

The exports of the group constituted around 21 percent of the total sales. As a result, the group's business is exposed to fluctuations in foreign exchange rate. Acuite believes that Golden Group should be able to maintain its operating profitability around existing levels notwithstanding the volatility in prices of its key inputs, on the back of its established position in the domestic and overseas markets.

• **Working capital intensive nature of operations**

The group reported debtor days of 25 and inventory days of 104 for FY2018 (Provisional) resulting in higher gross current assets (GCA) of around 136 days as on 31 March, 2018 (Provisional) as against 111 days in the previous year. This has led to higher bank line utilisation at 90 percent for the last six months ended as on 30 April, 2018.

• Intense competition in the home textile industry

The group is exposed to intense competition prevalent in the highly fragmented Indian textile industry. The group faces stiff competition from domestic players like Trident Limited, Welspun India Limited, T C Terrytex Limited, among others. Further, competition from countries like China, Pakistan and Turkey is intense in the home textiles segment. The group faces stiff competition in both domestic and overseas market from other up and coming nations which attract more business because of their lower production costs, ease-of-doing business and availability of cheap labour.

Outlook: Stable

Acuite believes that the outlook on golden group will remain 'Stable' over the medium term on account of the promoters' extensive experience and established presence in the home textile industry. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and profitability while effectively managing its working capital cycle. The outlook may be revised to 'Negative' in case of significantly lower than expected net cash accruals or lengthening of the working capital cycle; thereby resulting in deterioration in the financial risk profile or liquidity position of the group.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	678.36	680.67	538.52
EBITDA	Rs. Cr.	84.04	65.91	61.42
PAT	Rs. Cr.	28.26	19.10	16.22
EBITDA Margin	(%)	12.39	9.68	11.40
PAT Margin	(%)	4.17	2.81	3.01
ROCE	(%)	14.22	12.04	12.64
Total Debt/Tangible Net Worth	Times	1.51	1.71	1.82
PBDIT/Interest	Times	4.27	4.48	4.06
Total Debt/PBDIT	Times	2.98	3.59	3.37
Gross Current Assets (Days)	Days	136	111	124

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Manufacturing entities - <https://acuite.in/view-rating-criteria-4.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies - <http://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
21-Jun-2017	Cash Credit	Long Term	5.75	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term Loan	Long Term	4.97 (reduced from Rs. 9.87 crore)	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Bank Guarantee	Short Term	0.50	ACUITE A1 (Upgraded from ACUITE A2+)
	Proposed Term Loan	Long Term	8.30 (increased from Rs. 3.40 crore)	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
11-May-2017	Cash Credit	Long Term	5.75	ACUITE A-/Stable (Reaffirmed)
	Term Loan	Long Term	9.87 (Reduced from Rs. 13.27 crore)	ACUITE A-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A2+ (Reaffirmed)
	Proposed Fund Based Facility	Long Term	3.40	ACUITE A-/Stable (Assigned)
21-Jan-2016	Term Loan	Long Term	13.27	ACUITE A-/Stable (Assigned)
	Cash Credit	Long Term	5.75	ACUITE A-/Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A2+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.75	ACUITE A/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.97	ACUITE A/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A1 (Reaffirmed)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	8.30	ACUITE A/ Stable (Reaffirmed)

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About Acuité Ratings & Research:

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