

Press Release

Golden Apparels Exports Private Limited

December 21, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

The rating reaffirmation continues to draw comfort from the established presence of Golden Group in the home furnishing and other textile industry. Coupled to that, the group has a 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 textile industry.

Further, the demand for the home furnishing products and other textile products has declined in the view of Covid-19 pandemic. The operations were closed for nearly two months in the view of nationwide lockdown which will impact the revenue of the group to some extent in FY2021. However, the group will be able to maintain its profitability level by taking certain cost cutting measures. Acuite expects the risk with respect to Covid-19 pandemic will be mitigated to some extent on account of established track record of operation along with extensive experience of the promoters.

About the Company

Incorporated in the year 1995 by Mr. Bhupinder Chugh and Mrs. Kavita Chugh, GAEPL is a Haryana-based company. The company is engaged in manufacturing of polar blankets and supplies in the domestic market.

About the Group

Golden group was incorporated in the year 1950. The group is currently promoted by Mr. Narain Das Chugh, Mr. Ved Prakash Chugh, Mr. Bhupinder Chugh and Mr. Akshay Chugh. The group has its presence in the aforementioned industry for more than six decades. The Golden Group of companies includes Golden Terry Towels Private Limited, Golden Texo Fabs Private Limited, Golden Floor Furnishing Private Limited, Golden Apparels Exports Private Limited and Golden International Private Limited. The group has an integrated operation for the manufacturing of terry towels, mink blankets, polar blankets, carpets and the retail business. The group has 14 manufacturing units located at Panipat, Haryana.

Analytical Approach

Acuité 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 (GG)'. The consolidation is due to the common promoters, significant operational and financial synergies within the group. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Established in the year 1950 by Mr. Narain Dass Chugh, the Golden Group has an established track record of operations of nearly seven decades in the aforementioned industry. The group undertakes production of a wide variety of textile products such as carpets, terry towels, mink blankets, polar blankets, bath mats, bath robes, bed sheets, and others. Further, the group is also engaged in the retail trading of textile products through its own showroom under the name of Golden International Private Limited. The dominant presence of Golden Group in the Indian market is evident by being one of the top five manufacturers of terry towels and blankets in the country. The group is currently promoted by Mr. Ved Prakash Chugh, Mr. Narain Dass Chugh, Mr. Bhupinder Chugh and Mr. Akshay Chugh who have amassed an extensive experience of over four decades in the aforementioned industry. The established track record of operations and the extensive experience of the promoters have helped the group to maintain healthy long-standing relations with its customers and suppliers. The operating income of the group has increased slightly by around 1.73 percent to Rs.860.15Cr (Prov.) in FY2020 from Rs.845.52Cr in FY2019. The export proportion consists of around 16 percent of net sales in FY2020. The group sells its product in the domestic market under the brand name of 'Golden'.

Acuite believes that the group will benefit from its experienced management, long track of operation and healthy relationship with its reputed clientele and suppliers.

- **Healthy financial risk profile**

Golden Group's financial risk profile continues to remain healthy marked by strong net worth, moderately low gearing along with comfortable debt protection metrics and coverage indicators. The group's net worth is strong and is estimated at around Rs.244.70Cr (Prov.) as on March 31, 2020 as against Rs.206.11Cr as on March 31, 2019. The net worth levels have seen improvement over the last three years through FY2020. This is on account of healthy accretion to reserves over the period along with infusion of capital of around Rs.13.11Cr by the promoters in FY2020. The gearing has improved to 1.09 times (Prov.) as on March 31, 2020 as against 1.26 times as on March 31, 2019. As on March 31, 2020, total outside liabilities to tangible net worth (TOL/TNW) levels stand at 1.32 times (Prov.) as against 1.71 times as on March 31, 2019. The group on the other hand generated cash accruals of Rs.62.38Cr (Prov.) in FY2020 as against Rs.50.56Cr in FY2019.

The revenue of the group has increased marginally by around 1.73 percent to Rs.860.15Cr (Prov.) in FY2020 from Rs.845.52Cr in FY2019. The total revenue of Rs.860.15Cr of the group includes Rs.132crore as an export proportion of the net sales accounting to 16 percent. EBITDA in absolute term is improving over the last three years through FY2020 and stands at Rs.89.92Cr (Prov.) in FY2020 as against Rs.81.37Cr in FY2019. The PAT of the group has increased to Rs.31.45Cr (Prov.) in FY2020 from Rs.22.94Cr in FY2019. The operating margin has increased to 10.45 percent (Prov.) in FY2020 as against 9.62 percent in FY2019 followed by increase in the PAT margin to 3.66 percent (Prov.) in FY2020 as against 2.71percent in FY2019.

The increase in the profitability level, coupled with moderate debt level, has led to comfortable debt protection measures. The NCA/TD and interest coverage ratio for FY2020 stands at 0.23times (Prov.) and 4.35times (Prov.) respectively as against 0.19times and 4.05times in FY2019, respectively. The debt service coverage ratio stood 1.95 times (Prov.) in FY2020 as against 1.50 times in FY2019. The Debt-EBITDA ratio stands at 2.94time (Prov.) in FY2020 against 3.20 time in FY2019. The group undertakes routine capex for modernization and up gradation of machinery which are funded both by bank borrowings and internal cash accruals. Acuite believes the financial risk profile of the group will continue to remain healthy on account of its healthy revenue growth, improved operating margins, healthy cash accruals and no major debt funded capex in near to medium term.

Weaknesses

- **Working capital operation is moderately intensive in nature**

Golden group's working capital operation is moderately intensive in nature as it is reflected by its gross current asset (GCA) days of around 116 days (Prov.) in FY2020 as against 125 days in FY2019. The group has well managed its inventory marked by inventory holding period of 80 days (Prov.) as on 31 March, 2020 as against 88 days as on 31 March, 2019. The inventory majorly consists of work in progress and raw materials; this is because the group has to maintain inventory raw materials in order to cater to various product lines. The debtor collection period stood at 21 days (Prov.) as on March 31, 2020. On the hand the group credit payment period stood at 24 days (Prov.) as on March 31, 2020. The average bank limit utilization stood low at around 60 percent for eight months ended November, 2020. Acuite expects the working capital management to remain moderately intensive over the medium term on account of high inventory levels maintained by the group.

- **Highly competitive textile industry and foreign currency fluctuation risk**

The textile industry in India is highly fragmented and competitive marked by presence of large number of organized and unorganized players. The group is exposed to intense competition both from the domestic players as well as from the established players in overseas market. However, this risk is currently mitigated to some extent due to decline in the demand of the products from China and Vietnam. The shifts in consumption patterns can also have an adverse impact on the operations of the group. The Indian textile industry has also seen a muted growth in past few years and may have impact on the growth of the existing players such as Golden Group. Golden Group undertakes exports. So any adverse impact of foreign currency fluctuation may result in increase in repayment obligations and will have impact on margins of the group. However, Acuite believes that extensive experience of promoters in textile industry and the exports contributing less than 20 per cent of the revenues will mitigate such risk to certain extent.

Rating Sensitivities

- Improvement in the scale of operation of the group while maintaining its profitability margins
- Any deterioration in the working capital cycle may impact the financial risk profile

Material Covenants

None

Liquidity position: Adequate

The group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.62.38Cr (Prov.) in FY2020, while its maturing debt obligation were Rs.21.84Cr for the same period. The cash accrual of the group is estimated to remain around Rs.60.00Cr to Rs.75.00Cr during 2021-23 against repayment obligations of around Rs.20.00Cr to Rs.27.00Cr during the same period. The group's working capital operations is moderately intensive marked by the gross current asset (GCA) days of 116 days (Prov.) in FY2020 as against 125 days in FY2019. The average bank limit utilization stood high at around 60 per cent for eight months ended November, 2020. The group maintains unencumbered cash and bank balances of Rs.0.35Cr (Prov.) as on 31 March 2020. The current ratio of the group has improved to 1.43 times (Prov.) as on 31 March 2020 from 1.33 times as on March 31, 2019. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of adequate cash accruals to its maturing debt obligation.

Outlook: Stable

Acuite believes that the Golden Group will maintain a stable outlook over the medium term backed by its experienced management, established track record of operation in the aforementioned industry and healthy financial risk profile. The outlook may be revised to 'Positive', if the group registers higher than expected growth in its revenue while improving operating margins from the current levels along with efficient working capital management. Conversely, the outlook may be revised to "Negative", if the group registers lower than expected growth in revenues and profitability or in case of deterioration in the group's financial risk profile or significant elongation in the working cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	860.15	845.52
PAT	Rs. Cr.	31.45	22.94
PAT Margin	(%)	3.66	2.71
Total Debt/Tangible Net Worth	Times	1.09	1.26
PBDIT/Interest	Times	4.35	4.05

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Oct-2019	Cash Credit	Long Term	5.75	ACUITE A/Stable (Reaffirmed)
	Term Loan	Long Term	4.93 (Revised from Rs.4.97Cr)	ACUITE A/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A1 (Reaffirmed)
	Proposed Term Loan	Long Term	8.34 (Revised from Rs.8.30Cr)	ACUITE A/Stable (Reaffirmed)
17-July-2018	Cash Credit	Long Term	5.75	ACUITE A/Stable (Reaffirmed)
	Term Loan	Long Term	4.97	ACUITE A/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A1 (Reaffirmed)
	Proposed Term Loan	Long Term	8.30	ACUITE A/Stable (Reaffirmed)
21-Jun-2018	Cash Credit	Long Term	5.75	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)

	Term Loan	Long Term	4.97 (Revised from Rs.9.87Cr)	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 (Revised from Rs.3.40Cr)	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50 (Revised from Rs.5.75Cr)	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Available	Not Available	Not Available	4.93*	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	8.34	ACUITE A/Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE A/Stable (Reaffirmed)

*The term loan amounting Rs.4.93Cr has been completely paid-off.

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About Acuité Ratings & Research:

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