

Press Release

Golden Texo Fabs Private Limited

October 07, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 183.23 crore
Long Term Rating	ACUITE A / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A1 (Reaffirmed)

* 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. 183.23 crore bank facilities of Golden Texo Fabs Private Limited (GTFPL). 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.

Haryana-based, GTFPL is a part of Golden Group, and was incorporated in 1991 by Mr. Bhupinder Chugh and Mrs. Kavita Chugh. The company is engaged in the manufacturing of mink blankets.

The company is a part of the business group, hereinafter referred to as Golden Group comprising 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. The group has integrated operations for the manufacturing of terry towel, mink blankets, polar blanket, carpets and retail business. The group companies run their operations via facilities located in Panipat (Haryana).

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 (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

- **Experienced management and long track record of operations with reputed clientele**

Established in 1950 by Mr. Narain Chugh, the Golden Group has an established track record of operations of nearly seven decades in the textile industry. The group undertakes production of a wide variety of textile products such as carpets, curtains, cushion covers, designer sheets, bed sheets, mink blankets, bath mats and towels. Further, the group is engaged in the retail trading of textile products via a 20,000 sq. ft. showroom through the group company 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 towels and blankets in the country. The group procures its raw materials domestically and generated ~Rs. 200 crore of revenue through exports to around 50 countries contributing to ~25 per cent of its total sales for FY2019 (Provisional). In the domestic market the group sells its products under the brand name of 'Golden'.

The group is currently promoted by Mr. Ved Parkash Chugh, Mr. Narain Dass and Mr. Bhupinder Chugh, who have amassed an extensive experience of over four decades in the aforementioned industry. The

established track record of operations and experienced management of the group has helped them maintain healthy long-standing relations with reputed customers and suppliers such as Reliance Industries Limited, K Mart, Calvin Klein and Home USA to name a few.

Acuite believes that the group will benefit from its experienced management, which helps the group in maintaining long-standing relations with reputed customers and suppliers.

• **Healthy financial risk profile**

The financial risk profile continues to remain healthy marked by healthy net worth, comfortable debt protection metrics and coverage indicators. The tangible net worth stood at Rs. 197.58 crore as on 31 March, 2019 (Provisional) as against Rs.170.15 crore as on 31 March, 2018. The improvement in net worth is attributable to healthy accretion to reserves over the period. The gearing stood moderate at 1.23 times as on 31 March, 2019 (Provisional) as against 1.53 times as on 31 March, 2018. The total borrowings of Rs. 256.11 crore as on 31 March, 2019 (Provisional) comprises of long term borrowings to the tune of Rs. 140.64 crore, unsecured loans of Rs. 1.39 crore and short term borrowings of Rs. 114.09 crore.

The net cash accruals stood at Rs. 49.80 crore for FY2019 (Provisional) against debt repayment of ~Rs. 26.22 crore. The net cash accruals are expected to remain in the range of Rs. 60-80 crores in the near term against repayment obligations of ~Rs. 25 crores. The interest coverage ratio (ICR) stood at 4.14 times in FY2019 (Provisional) as against 4.00 times in FY2018. The DSCR stood at 1.49 times in FY2019 (Provisional) against 1.41 times in FY2018.

The total outside liabilities to tangible net worth stood at 1.69 times as on 31 March, 2019 (Provisional) as against 2.08 times as on 31 March, 2018. The group undertakes routine capex for modernization and upgradation of machinery in the range of Rs. 30-34 crores on a total net block of Rs.241.05, which are funded by bank borrowings as well as internal accruals. Acuite believes that the financial risk profile will continue to remain healthy on account of its healthy revenue growth and stable operating margins and in absence of any major debt funded capex.

Weaknesses

• **Moderately Working capital intensive operations**

GG's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 129 days FY2019 (provisional) as against 145 days in the previous year. The GCA is mainly dominated by inventory of 91 days for FY2019 (provisional) as against 107 days for FY2018. The inventory majorly consists of work in progress and raw material as company maintains inventory raw materials in order to cater to the various product lines. The average receivable cycle stood in the range of 16-23 days for past three years ended 2019 (Provisional). GG's working capital limits over the last six months period was utilized at an average of ~90 per cent. Acuite expects the operations of the group to remain moderately working capital intensive on account of the 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 organised and unorganised players. The group is exposed to intense competition from both domestic players as well as the established players in overseas market. 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. GG also undertakes exports and no hedging mechanism is used to safeguard the same. 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 exports contributing less than 25 per cent of the revenues will mitigate such risk to certain extent.

Rating Sensitivity

- Significant improvement in the scale of operation with improvement in profitability, sustenance of the comfortable financial risk profile and improvement in working capital intensity.
- Deterioration in working capital or any major debt funded capex

Material Covenants

None

Liquidity position

The group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 49.80 crore for FY2019 (Provisional), while its maturing debt obligations were Rs. 26.22 crore for the same period. The cash accruals of the group are estimated to remain in the range of Rs. 60-80 crores during 2020-22 against repayment obligations of around Rs. 25.51 crore. The group's working capital operations are intensive marked by gross current asset (GCA) days of 129 days for FY2019 (Provisional) as against 145 days in the previous year. The group maintains unencumbered cash and bank balances of Rs. 0.99 crore as on 31 March, 2019 (Provisional). The current ratio stood at 1.30 times as on 31 March, 2019 (Provisional). Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accruals against moderate debt repayments over the medium term.

Outlook: Stable

Acuite believes that Golden Group will maintain a 'Stable' outlook over the medium term on the back of its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case 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 working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	813.09	688.53	690.01
EBITDA	Rs. Cr.	80.47	77.19	65.91
PAT	Rs. Cr.	22.60	21.76	19.11
EBITDA Margin	(%)	9.90	11.21	9.55
PAT Margin	(%)	2.78	3.16	2.77
ROCE	(%)	11.75	12.11	11.75
Total Debt/Tangible Net Worth	Times	1.23	1.53	1.61
PBDIT/Interest	Times	4.14	4.00	4.36
Total Debt/PBDIT	Times	3.17	3.34	3.60
Gross Current Assets (Days)	Days	129	145	110

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation of companies - <https://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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-July-2018	Cash Credit	Long Term	53.90	ACUITE A/ Stable (Reaffirmed)
	Letter of credit	Short Term	0.20	ACUITE A1 (Reaffirmed)
	Term Loan I	Long Term	39.91	ACUITE A/ Stable (Reaffirmed)
	Term Loan II	Long Term	18.20	ACUITE A/ Stable (Reaffirmed)
	Term Loan III	Long Term	9.79	ACUITE A/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.80	ACUITE A/ Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	9.00	ACUITE A / Stable (Assigned)
	Proposed term loan	Long Term	47.43 (Revised from Rs. 21.13 crore)	ACUITE A/ Stable (Reaffirmed and Assigned)
21-Jun-2018	Cash Credit	Long Term	53.90 (Revised from Rs. 49.90 crore)	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term Loan I	Long Term	39.91 (Revised from Rs. 52.90 crore)	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term Loan II	Long Term	18.20 (Revised from Rs. 20.20 crore)	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term Loan III	Long Term	9.79 (Revised from Rs. 12.50 crore)	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Letter of credit	Short Term	0.20	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	4.80 (Revised from Rs. 4.72 crore)	ACUITE A1 (Upgraded from ACUITE A2+)
	Proposed fund based facility	Long Term	21.13 (Revised from Rs. 7.71 crore)	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
11-May-2017	Cash Credit	Long Term	49.90 (Revised from Rs. 42.90 crore)	ACUITE A-/Stable (Reaffirmed)
	Term Loan I	Long Term	52.90 (Revised from Rs. 60.61 crore)	ACUITE A-/Stable (Reaffirmed)
	Term Loan II	Long Term	20.20	ACUITE A-/Stable (Assigned)
	Term Loan III	Long Term	12.50	ACUITE A-/Stable (Assigned)
	Bank Guarantee	Short Term	4.72 (Revised from Rs. 3.97 crore)	ACUITE A2+ (Reaffirmed)
	Proposed fund based facility	Long Term	7.71	ACUITE A-/Stable (Assigned)

*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	68.25 (Revised from Rs. 53.90Cr.)	ACUITE A/ Stable (Reaffirmed)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	24.00 (Revised from Rs. 39.91 Cr.)	ACUITE A/ Stable (Reaffirmed)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	14.15 (Revised from Rs. 18.20 Cr.)	ACUITE A/ Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	63.26	ACUITE A/ Stable (Reaffirmed)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	7.72	ACUITE A/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE A1 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.65	ACUITE A1 (Reaffirmed)

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About Acuité Ratings & Research:

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