

Press Release

Golden Terry Towel Private Limited

October 07, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 80.32 crore
Long Term Rating	ACUITE A / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A1 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité 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. 80.32 crore bank facilities of Golden Terry Towel Private Limited (GTPL). 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.

Incorporated in 1997 by Mr. Bhupinder Chugh and Mrs. Kavita Chugh, GTPL is engaged in the manufacturing of terry towels. The company is based out of Panipat, Haryana. GTPL generates its revenues by sales both domestically and overseas to countries such as Australia, South Africa, and United States of America marking a strong global presence.

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

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

- 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.

Acuité 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. Acuité 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. Acuité 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, Acuité 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). Acuité 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

Acuité 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	7.00*	ACUITE A/ Stable (Reaffirmed)
	PCL/PCFC	Long Term	28.50*^	ACUITE A/ Stable (Reaffirmed)
	FOBP/FOUBP/FABC/FOBNLC/ FOUBNLC	Long Term	13.50*^	ACUITE A/ Stable (Reaffirmed)
	Term Loan I	Long Term	10.03	ACUITE A/ Stable (Reaffirmed)
	Term Loan III	Long Term	28.25	ACUITE A/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A1 (Reaffirmed)
	Proposed term loan	Long Term	1.54	ACUITE A/ Stable (Reaffirmed and Assigned)
21-Jun-2018	Cash Credit	Long Term	7.00*	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	PCL/PCFC	Long Term	28.50*^	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	FOBP/FOUBP/FABC/FOBNLC/ FOUBNLC	Long Term	13.50*^	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term Loan I	Long Term	10.03 (Revised from Rs. 11.13 crore)	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Term Loan II	Long Term	28.25	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
	Bank Guarantee	Short Term	1.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Proposed Term Loan	Long Term	1.54 (Revised from Rs. 0.54 crore)	ACUITE A/Stable (Upgraded from ACUITE A-/Stable)
11-May-2017	Cash Credit	Long Term	7.00* (Revised from Rs. 6.00 crore)	ACUITE A-/Stable (Reaffirmed)
	PCL/PCFC	Long Term	28.50*^ (Revised from Rs. 24.00 crore)	ACUITE A-/Stable (Reaffirmed)
	FOBP/FOUBP/FABC/FOBNLC/ FOUBNLC	Long Term	13.50*^ (Revised from Rs. 11.50 crore)	ACUITE A-/Stable (Reaffirmed)
	Term Loan I	Long Term	11.13 (Revised from Rs. 15.50 crore)	ACUITE A-/Stable (Reaffirmed)
	Term Loan II	Long Term	28.25	ACUITE A-/Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A2+ (Reaffirmed)
	Proposed Term Loan	Long Term	0.44	ACUITE A-/Stable (Assigned)

^ PCL/PCFC + FOBP/FOUBP/FABC/FOBNLC/FOUBNLC + Cash Credit<=Rs. 39.50 crore
 & PCL/PCFC + FOBP/FOUBP/FABC/FOBNLC/FOUBNLC<=Rs. 35.50 crore

***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	6.50* (Revised from Rs. 7.00 Cr.)	ACUITE A/ Stable (Reaffirmed)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	1.66 (Revised from Rs. 10.03 Cr.)	ACUITE A/ Stable (Reaffirmed)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	6.03 (Revised from Rs. 28.25 Cr.)	ACUITE A/ Stable (Reaffirmed)
Term Loan III	Not Applicable	Not Applicable	Not Applicable	4.72	ACUITE A/ Stable (Assigned)
PCL/PCFC	Not Applicable	Not Applicable	Not Applicable	29.00*^ (Revised from Rs. 28.50 Cr.)	ACUITE A/ Stable (Reaffirmed)
FOBP/FOUBP/FABC/FOBNLC/FOUBNLC	Not Applicable	Not Applicable	Not Applicable	29.00*^ (Revised from Rs. 13.50 Cr.)	ACUITE A/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A1 (Reaffirmed)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	2.41 (Revised from Rs. 1.54 Cr.)	ACUITE A/ Stable (Reaffirmed)

^ PCL/PCFC + FOBP/FOUBP/FABC/FOBNLC/FOUBNLC + Cash Credit<=Rs. 39.50 crore
 & PCL/PCFC + FOBP/FOUBP/FABC/FOBNLC/FOUBNLC<=Rs. 35.50 crore

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About Acuité Ratings & Research:

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