



Press Release
GBTL Limited
September 01, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	127.50	ACUITE BBB- Stable Reaffirmed Negative to Stable	-
Bank Loan Ratings	35.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	162.50	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) and short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.162.50 Cr bank facilities of GBTL Limited. The outlook has been revised from 'Negative' to '**stable**'.

Rationale for reaffirmation and revision in outlook

The rating reaffirmation and revision in outlook factors in improvement in the working capital cycle of the group, albeit increasing reliance on bank borrowings. The GCA days of the group improved to 258 days in FY2023(prov.) as against 316 days in FY2022, primarily driven by improvement in inventory days. The inventory days stood at 165 days in FY2023(prov.) as against 190 days in FY2022. However, the average bank limit utilisation of the group continues to remain high in the range of 90- 95% for the twelve months ended as on June 2023. The outlook revision also factors in the improvement in the liquidity position of the company. The net cash accruals of the company increased to Rs.94.13 Cr. in FY2023(prov.) as against Rs. 69.57 Cr. in FY2022. The operating income stood at Rs. 1,485.24 Cr. in FY2023(prov.) as against Rs. 1,094.55 Cr. in FY2022. The financial risk profile continues to remain moderate. However, the rating remains constrained as albeit the improvement in the working capital cycle, the operations remain working capital-intensive with increasing dependence on bank borrowings for working capital support and high competition risk from other reputed brands.

About Company

GBTL Incorporated in 2007, as a wholly owned subsidiary of Grasim Industries Limited, Amritsarbased GBTL Limited (erstwhile, Grasim Bhiwani Textile Limited) is engaged in manufacturing of men's wear PolyesterViscose Fabric. In July, 2017 Grasim Industries Limited divested 100 percent shareholding of GBTL Limited to Rajendra Synthetics LLP, partnership firm of the promoters of Donear Industries Limited under a close deal. GBTL markets its product under the brand name of 'Grasim' and 'Graviera' and also sells to other reputed brand in domestic and overseas market. It markets its product through agents and dealership network.

About the Group

OCM, incorporated in 1922, is the Amritsar-based company engaged in manufacturing woolen and other wool blended worsted men's formal and leisure suits, jackets, shirts,

trousers and others. OCM was originally part of S.K. Birla Group (Birla VXL) and at present 93.95 percent shareholding is with GR & SM Industries LLP, partnership firm of the promoters of DIL.

OCM markets its product under the brand name of 'GRADO', 'FERRARA', 'OCM- Gold Collection', 'OCM- Style' and 'Siena'. The manufacturing unit is located at Ambala (Haryana).

DIL incorporated in 1987 as Maniyar India Limited, was acquired by the Mumbai based Agarwal family in 1989. The company was renamed to Donear Industries Limited in 1993. DIL is engaged in the manufacturing of synthetic, cotton and blended fabrics mainly for suiting shirting and trousers. DIL has two Polyester Viscose (PV) fabric weaving units at Silvassa and one cotton fabric manufacturing unit at Surat. It further has one packing unit at Bangalore. DIL primarily caters to tier 2 cities to tier 6 towns under the brand name such as, Donear Suitings & Shirtings, Donear Royal Classico, Donear Soft and Smooth, among others. The company is also engaged in fashion apparels and accessories sold under the brand name of D'COT Style wear established in 2007. As on March 2020, the company has network of ~370 dealers and 215 franchisee based stores

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated business and financial risk profile of OCM Private Limited (OCM), GBTL Limited (erstwhile, Grasim Bhiwani Textile Limited) and Donear Industries Limited (DIL) together referred to as the 'Donear Group' (DG). The consolidation is in view of common ownership, operational and financial linkages between these three companies and expectation of support from Donear Industries Limited to OCM and GBTL as and when required. There are inter-company transactions, which are expected to increase over near term and use of common brand name of GRADO by OCM and GBTL. The surplus manufacturing facilities of one company can be utilised by other group companies.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

DG was promoted by late Mr. Vishwanath Agarwal. At present it is managed by his son Mr. Rajendra Agarwal and Mr. Ajay Agarwal who have extensive experience of more than three decades in textile industry. The promoters acquired OCM and GBTL in FY 17-2018 for expanding its product portfolio ranging from luxury to mid-range segment. Donear Group (DG) has established brand presence since 1987, whereas, OCM has been in textile business since 1922. DIL products are sold under the brand name of 'Donear Suitings & Shirtings', 'Donear Royal Classico', 'Donear Soft and Smooth', among others. OCM products are sold under its own brands such as FERRARA, Siena, among others and GBTL products under 'Grasim' and 'Graviera'. OCM and GBTL's premium quality fabric is sold under newly launched brand 'GRADO by OCM' and 'GRADO by Grasim'. DG has wide spread distribution network of ~350 dealers under Donear and ~250 under GBTL. OCM limited sells through retail network of ~1200 retailers.

Acuité believes that the post-acquisition business synergies among the group, established brand presence and the widespread distribution network will help the group to maintain its scale of operation and strengthening its business risk profile over the medium term.

Diversified product portfolio and revenue stream

The group has diversified product portfolio whereby each group company is engaged in different product line and customer segment. OCM is engaged in manufacturing of premium quality wool and tweed fabric and jacketing segment, GBTL is a premium poly viscose fabric manufacturer, whereas, DIL is engaged in cotton as well as poly viscose fabric for the mid

income segment. Collectively, the group is catering to premium as well as mid income segment over a vast portfolio of products in domestic as well as foreign market. The revenue of the Donear Group (DG) stood at Rs. 1,485.24 Cr. in FY2023(prov.) as against Rs. 1,094.55 Cr. in FY2022. The increase in the revenue is on account of increase in exports of the group. The operating margin of the group improved to 10.09% in FY2023(prov.) as against 9.36% in FY2022. The profit after tax margin (PAT) improved to 5.07% in FY2023(prov.) as against 4.54% in FY2022.

The group has also started a new segment in the current year FY2024, wherein it is entering into institutional sales and government orders. Acuite believes supported by diversified product portfolio and revenue steam, DG scale of operations and profitability would improve over the medium term.

Moderate Financial Risk Profile

The financial risk profile of the group is moderate marked by healthy net worth, moderate gearing level and debt protection metrics. The tangible net worth of the group improved to Rs. 483.52 Cr. as on March 31, 2023 (prov.) as against Rs.405.79 Cr. as on March 31, 2022 on account of accretion of profits to reserves. The group follows moderate leverage policy and the gearing level of the group improved to 1.13 times as on March 31, 2023(prov.) as against 1.27 times as on March 31, 2022. The debt protection metrics of the group are moderate with interest coverage ratio (ICR) of 3.25 times as on March 31, 2023(prov.) as against 3.20 times as on March 31, 2022. The debt service coverage ratio (DSCR) improved to 1.96 times as on March 31, 2023 (prov.) as against 1.71 times as on March 31, 2022.

Acuite expects the Group to maintain a moderate financial risk profile over the medium term in absence of any major debt funded capex plan.

Weaknesses

Working capital intensive nature of operations

The operations of the group are of working capital-intensive nature marked by high GCA days. The GCA days of the group are high, however, improved to 258 days in FY2023(prov.) as against 316 days in FY2022. The high GCA days are on account of the high inventory days of 165 days in FY2023(prov.) as against 190 days in FY2022. The debtors days are moderate and stood at 73 days in FY2023(prov.) as against 83 days in FY2022. The creditor days stood at 58 days in FY2023(prov.) as against 110 days in FY2022. The average working capital utilisation of the group stood in the range of 90 to 95% for the twelve months ended as on June 2023.

High competition from other reputed brands

The group operates in a highly competitive industry marked by presence of several established brands like Raymonds, Siyaram, Digjam, among others. Branded fabrics and garments business requires regular innovation in design to maintain its competitive position. Group's wide presence of more than three decades and acquisition of OCM and GBTL will support its business risk profile and bring down competition pressure to some extent. The group needs to continuously invest in brand promotion, product innovation to maintain its market position.

Rating Sensitivities

- Group's ability to reduce elongation in working capital cycle will be key monitorable.
- Improvement in scale of operations and profitability while maintaining the capital structure.

All Covenants

Not Applicable

Liquidity Position Adequate

The liquidity position of the group is adequate marked by adequate net cash accruals against its maturing debt obligations. The group generated net cash accrual of Rs. 94.13 Cr. in FY2023(prov.) against its maturing debt obligations of Rs. 23.04 Cr. Going ahead, the group is expected to generate net cash accrual of Rs. 100.89 Cr. to Rs. 106.22 Cr. and maturing debt obligations in the range of Rs. 18.50 to Rs. 21.93 Cr. The average working capital utilisation of the group stood in the range of 90 to 95% for the twelve months ended as on June 2023. The unencumbered cash and bank balance stood at Rs. 4.76 Cr. as on March 31, 2023(prov.).

Outlook : Stable

Acuité believes that the Group will maintain a 'Stable' outlook on the back of established track record of operations with experienced management, diversified product portfolio and revenue stream and strong distribution network. The outlook may be revised to 'Positive' in case of higher than expected improvement in accruals, debt protection metrics and efficient management of working capital cycle. Further, the outlook may be revised to 'Negative' in case of sharp decline in accruals, elongation of working capital cycle or deterioration in debt protection metrics.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	1485.24	1094.55
PAT	Rs. Cr.	75.27	49.65
PAT Margin	(%)	5.07	4.54
Total Debt/Tangible Net Worth	Times	1.13	1.27
PBDIT/Interest	Times	3.25	3.20

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

None

Any Other Information

None

Applicable Criteria

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

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Jun 2022	Term Loan	Long Term	7.40	ACUITE BBB- Negative (Downgraded from ACUITE BBB Negative)
	Proposed Bank Facility	Long Term	16.60	ACUITE BBB- Negative (Downgraded from ACUITE BBB Negative)
	Cash Credit	Long Term	23.50	ACUITE BBB- Negative (Downgraded from ACUITE BBB Negative)
	Cash Credit	Long Term	30.00	ACUITE BBB- Negative (Downgraded from ACUITE BBB Negative)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Downgraded from ACUITE A3+)
	Cash Credit	Long Term	35.00	ACUITE BBB- Negative (Downgraded from ACUITE BBB Negative)
	Cash Credit	Long Term	40.00	ACUITE BBB- Negative (Downgraded from ACUITE BBB Negative)
05 Mar 2021	Cash Credit	Long Term	23.50	ACUITE BBB Negative (Reaffirmed)
	Term Loan	Long Term	7.40	ACUITE BBB Negative (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	16.60	ACUITE BBB Negative (Reaffirmed)
19 Feb 2020	Cash Credit	Long Term	35.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	3.65	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	8.85	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE BBB- Stable Reaffirmed Negative to Stable
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BBB- Stable Reaffirmed Negative to Stable
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE BBB- Stable Reaffirmed Negative to Stable
HDFC Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	6.30	ACUITE BBB- Stable Reaffirmed Negative to Stable
Yes Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	4.19	ACUITE BBB- Stable Reaffirmed Negative to Stable
Indian Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	0.45	ACUITE BBB- Stable Reaffirmed Negative to Stable
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank	Not Applicable	Not Applicable	Not Applicable	Simple	6.56	ACUITE BBB- Stable Reaffirmed

		Facility						Negative to Stable
--	--	----------	--	--	--	--	--	-----------------------

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Vaishnavi Deshpande Analyst-Rating Operations Tel: 022-49294065 vaishnavi.deshpande@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité 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. Ratings assigned by Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Ratings assigned by Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.