



Press Release
GBTL Limited
November 29, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	142.81	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	134.50	ACUITE BBB Stable Upgraded	-
Bank Loan Ratings	28.00	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	305.31	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to 'ACUITE BBB' (read as ACUITE Triple Bf) from 'ACUITE BBB-' (read as ACUITE Triple B minus) and short-term rating to 'ACUITE A3+' (read as ACUITE A three plus) from 'ACUITE A3' (read as ACUITE A three) on the Rs.162.50 Cr. bank facilities of GBTL Limited- (GBTL). The outlook is 'Stable'.

Acuite has assigned the long-term rating to 'ACUITE BBB' (read as ACUITE Triple B) on the Rs 142.81 Cr. of bank facilities of GBTL Limited. The outlook is 'Stable'.

Rationale for rating

The rating upgradation takes into cognizance the sound business profile of the group majorly driven by diversified product portfolio, established track record of operations, experienced management along with widespread distribution network, augmentation in operating and PAT margin of the group albeit slight dip in the overall revenue of the group. The rating also draw comfort from healthy financial risk profile characterized by a consistent net worth growth, comfortable gearing, moderate debt protection metrics and strong cash accruals. However, these strengths are partially offset by the group's intensive working capital management reflected by high GCA days of 260 days as on March 31 2024 as against 247 days as on March 31,2023 and high competition risk from other reputed brands.

About the Company

GBTL Incorporated in 2007, as a wholly owned subsidiary of Grasim Industries Limited, GBTL Limited (erstwhile, Grasim Bhiwani Textile Limited) is engaged in manufacturing of men's wear Polyester Viscose 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 sells to other reputed brand in domestic and overseas market. It markets its product through agents and dealership network. The company is based in Amritsar.

About the Group

OCM Private Limited (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).

Donear Industries Limited (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 2024, the company has network of ~450 dealers stores along with 607 dealers.

Unsupported Rating

Not applicable

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

Donear Group 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 2017-2018 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 widespread distribution network of ~450 dealers stores along with 607 dealers and 122 agents under Donear and 15 retailers, 110 dealers, 13 agents and 5 dealers stores under GBTL. OCM limited sells through retail network of ~5455 retailers and 483 dealers.

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, augmentation in operating and PAT margins albeit slight dip in the overall revenue of the group

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 1431.90 Cr. for the FY24 as against Rs 1482.74 Cr. for the FY23. Slightly dip in the revenue majorly on account of dip in the overall revenue of DIL, due to lower government order execution which consist of Rs 29.23 Cr. in FY24 as compared to Rs 70.73 Cr. FY23.

The operating margin of the group has improved and stood at 12.41% in FY24 as against 10.42% in FY23, albeit a slight dip in the overall revenue of the group. The improvement is on account of a reduction in material cost and better operating efficiency and synergy benefits. Due to improvement in the operating margins, the PAT margin of the group has improved and stood at 6.34% in FY24 as against 5.25% in FY23.

Acuité believes supported by diversified product portfolio and revenue stream, along with expansion in GTBL by acquiring spinning unit plant in Guntur, Andhra Pradesh in FY24, Donear Group scale of operations and profitability would improve over the medium term.

Healthy Financial Risk Profile

The group's financial risk profile is marked by healthy net worth, comfortable gearing and moderate debt protection metrics. The adjusted tangible net worth of the group stood at Rs.575.96 Cr. as on March 31, 2024 from Rs. 485.89 Cr. as on March 31, 2023 due to accretion of reserves.

Gearing of the group improved Y-O-Y and stood comfortable at 1.00 times as on March 31, 2024 as against 1.15 times as on March 31, 2023 on account of increase in net worth of the group. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) improved and stood at 1.46 times as on March 31, 2024 as against 1.70 times as on March 31, 2023. The moderate debt protection metrics of the group is improved, which is marked by interest coverage ratio at 3.66 times as on March 31, 2024 and debt service coverage ratio at 2.19 times as on March 31, 2024 as against 3.39 times and 1.92 times as on March 31, 2023 respectively. Net Cash Accruals/Total Debt (NCA/TD) also improved and stood at 0.20 times as on March 31, 2024 as against 0.17 times as on March 31, 2023.

Acuité expects the group to maintain a healthy 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 which stood at 260 days in FY2024 as against 247 days in FY2023. The high GCA days are on account of the high inventory days but stood at same level i.e 152 days in FY2024 as against 154 days in FY2023 as the group have to maintain inventory at franchise outlets, coupled with its wide variety of products. The debtors (having outstanding balance less than 1 years) has increased and stood at 73 days in FY2024 as against 67 days in FY23. Moreover, debtors having outstanding more than 1 year has also increased to Rs 20.72 Cr. in FY24 as against Rs 18.62 Cr. in FY23. However group have the policy to make provision for doubtful receivables as and when required. The creditor days had been improved and stood at 47 days in FY2024 as against 64 days in FY2023 to avail discount from the suppliers. The average working capital utilisation of the group stood ~79% for the six months ended as on Sep 2024.

Acuité believes that the working capital operations of the group will remain at same level as evident from elongation in the inventory and receivable period, will remain a key monitorable.

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

- Movement in the scale of operation while sustainability its profitability margin
- Movement in the receivable period and further straining the working capital cycle
- Extend of fund exposure in group entities

Liquidity Position

Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs.114.49 Cr. as on March 31, 2024 as against long term debt repayment of only Rs.23.58 Cr. over the same period. Overall profits and cash accruals from the business stood at a comfortable level in FY2024 which remain sufficient to meet the scheduled debt obligations. The current ratio stood at the same level i.e. 1.43 times as on March 31, 2024 as against 1.41 times as on March 31, 2023. The average working capital utilisation of the group stood ~79% for the six months ended as on Sep 2024. Moreover, working capital management of the group is intensive marked by high Gross Current Assets (GCA) of 260 days on 31st March 2024 as compared to 247 days in 31st March 2023.

Acuité believes that going forward the group will continue to maintain adequate liquidity position owing to steady accruals backed by improvement in earnings.

Outlook:

Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1431.90	1482.74
PAT	Rs. Cr.	90.85	77.91
PAT Margin	(%)	6.34	5.25
Total Debt/Tangible Net Worth	Times	1.00	1.15
PBDIT/Interest	Times	3.66	3.39

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

Not Applicable

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
01 Sep 2023	Letter of Credit	Short Term	10.00	ACUITE A3 (Reaffirmed)
	PC/PCFC	Short Term	25.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	6.30	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	6.56	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	4.19	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	0.45	ACUITE BBB- Stable (Reaffirmed)
03 Jun 2022	Letter of Credit	Short Term	10.00	ACUITE A3 (Downgraded from ACUITE A3+)
	Cash Credit	Long Term	40.00	ACUITE BBB- Negative (Downgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	30.00	ACUITE BBB- Negative (Downgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	35.00	ACUITE BBB- Negative (Downgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	23.50	ACUITE BBB- Negative (Downgraded from ACUITE BBB Stable)
	Term Loan	Long Term	7.40	ACUITE BBB- Negative (Downgraded from ACUITE BBB Stable)
	Proposed Long Term Bank Facility	Long Term	16.60	ACUITE BBB- Negative (Downgraded from ACUITE BBB Stable)
05 Mar 2021	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	23.50	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	16.60	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	7.40	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	54.76	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	35.00	Simple	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.24	Simple	ACUITE BBB Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	34.00	Simple	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	07 Jul 2028	6.30	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Yes Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	18 Oct 2026	3.44	Simple	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A3+ Upgraded (from ACUITE A3)
HDFC Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.00	Simple	ACUITE A3+ Upgraded (from ACUITE A3)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2031	12.07	Simple	ACUITE BBB Stable Assigned
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Apr 2031	20.50	Simple	ACUITE BBB Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2032	23.00	Simple	ACUITE BBB Stable Assigned

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	OCM Private Limited
2	GBTL Limited
3	Donear Industries Limited

Contacts

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About Acuité Ratings & Research

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