



Press Release
GRG Global Textiles Limited
October 01, 2024
Rating Reaffirmed and Partly Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.00	ACUITE A- Reaffirmed & Withdrawn	-
Bank Loan Ratings	185.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	35.00	Not Applicable Withdrawn	-
Bank Loan Ratings	10.35	-	ACUITE A2+ Reaffirmed
Bank Loan Ratings	10.00	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	195.35	-	-
Total Withdrawn Quantum (Rs. Cr)	67.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on Rs.195.35 Cr. bank facilities of GRG Global Textiles Limited (GGTL). The outlook is '**Stable**'.

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs.22.00 Cr. bank facilities of GRG Global Textiles Limited (GGTL) as the amount has been paid during the previous year. The withdrawal of ratings is as per the Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company.

Acuite also withdrawn long-term and short-term rating on the Rs.45 Cr. bank facilities of GRG Global Textiles Limited (GGTL) without assigning any rating as these facilities have been closed with the lender. The withdrawal of ratings is as per the Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company and No due certificate (NDC) issued by the lender.

Rationale for rating reaffirmation:

The reaffirmation of rating reflects the company's revenue growth and efficient working capital operations during FY2024 (Prov.). In its first full year of operations, the company registered a revenue of Rs.521.10 Cr, which is in line with Acuite's expectations. However, higher raw material costs led to lower-than expected operating profit in

FY2024 (Prov.). Consequently, net cash accruals were lower for FY2024 (prov.) than expected, yet sufficient to cover the repayment obligations. The rating also draws comfort from the experience of its promoters, long-term supply agreement with Welspun Living Limited (WLL) which ensures assured revenue and low demand risk. The above mentioned strengths were partially constrained by the high customer concentration risk and GGTL's growth linked to WLL's performance in home textile segment. Going forward, improvement in profitability and financial risk profile will be a key monitorable.

About the Company

Incorporated in October 2020, GRG Global Textiles Limited (GGTL) is a part of the GRG group. GRG Group is promoted by Mr. Shashikant Goenka and Mrs. Samta Goenka. GGTL has been established to set-up a state-of-the-art facility in Anjar, Gujarat for manufacturing of Greige fabric for Bed Sheets and two-for-one (TFO) yarn, which comes under home textile segment. GGTL will have an installed capacity of manufacturing 26.796 million meters

of bed sheet fabric and TFO yarn capacity of 13,054 metric tonne (MT) per annum.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of GGTL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced Promoters

GRG Global Textiles Limited (GGTL) is a part of the GRG group. GRG Group is promoted by Mr. Shashikant Goenka and Mrs. Samta Goenka. The promoters have more than two decades of experience in the textiles industry. Acuité believes that GGTL draws strength from the experience and competence of the experienced management.

Strong Counter Party:

WLL, a flagship textile company of Welspun Group, is presently concentrating in manufacturing of cotton based products viz. Terry Towels, Bed Sheets, Pillow Covers, Top of the Bed, Bath Rugs etc. It has a presence in over 34 countries and caters to 17 out of the top 30 retailers in the world. The company has excellent relationship with the likes of Wal-Mart, JC Penney, Shopko, Calvin Klein etc. to which it has been a regular supplier. GGTL's performance is directly linked with the product demand for WLL' products as the company has long-term agreement with WLL for purchase of its 90 percent production.

Improved utilization of production capacity:

The plant has started its commercial operations on 1st of September 2022 and was operational only for 7 months in the initial year. During FY2024 the plant was fully operational with a capacity utilization of 70 percent in fabric segment and ~83 percent capacity utilization in two-for one yarn segment which resulted in a revenue of Rs.521.10 Cr. (Prov.) for the year. More than 95 percent of the production was sold to Welspun Living Limited (erstwhile Welspun India Limited) as per the long-term supply agreement. Further, the GGTL registered sales of Rs.141.84 Cr. during the first quarter of FY2025 which is 8 percent higher than previous year sales during the same period. The fabric sales to WLL are expected to remain the major contributor to the revenue, in the range of 65-75 percent for the current year as well, while the TFO- yarn sales are expected to remain in the range of 25-35 percent. However, the operating profit margin for FY2024 (Prov.) declined to 5.85 percent from first year's margin of 14.18 percent. The decline in operating profit margin is due to increase in raw material prices and lower realization rates during the year. The company is entitled to interest cost reimbursement from the Gujarat government, resulting in significant reduction in finance expense for the year. Acuite expects, GGTL will maintain the similar performance over the medium term on account of supply agreement with Welspun.

Efficient working capital operations:

The working capital operations of GGTL are efficiently managed as evident from the gross current asset (GCA) days of 79 days in FY2024 (Prov.). The company receives batch wise orders from WLL and maintains inventory required for next 30 days. The payment terms customers, especially with WLL was provided for 30 days, which is as per the terms of supply agreement with WLL. Resulting less than 30 days debtors for FY2024 (Prov.). The company enjoys a little stretched payment period of 45 days with its suppliers. Acuite expects, the lower receivable period and inventory holding period with stretched payables period will help GGTL to maintain its working capital operations efficient.

Weaknesses

Moderate financial risk profile:

GGTL's financial risk profile is moderate, marked by moderate net worth, moderate gearing and above average debt protection metrics. The company's net worth stood at Rs.71.51 Cr. as on March 31, 2024 (Prov.) against Rs.69.86 Cr. as on March 31, 2023. The improvement in net worth is due to accretion of profits to reserves during the period. The gearing level and total outside liabilities to tangible networth (TOL/TNW) stood at 2.68 times and 3.98 times as on March 31, 2024 (Prov.) respectively, against 3.01 times and 4.06 times respectively as on March 31, 2023. The marginal improvement in leverage indicators is due to reduction in total debt levels to Rs.191.30 Cr. as on March 31, 2024 (Prov.) from Rs.210.07 Cr. as on March 31, 2023. The debt protection metrics stood above average with DSCR and ICR of 1.73 times and 4.06 times respectively as on March 31, 2024 (Prov.). Debt to EBITDA improved marginally to 6.14 times as on March 31, 2024 (Prov.) from 6.87 times as on March 31, 2023. Acuite believes that the financial risk profile of the company will improve over the medium term.

High customer concentration risk;

GGTL's growth linked to the performance of WLL GGTL will remain exposed to the high customer concentration risk in its revenue profile as majority of the revenue will be from WLL through the off-take agreement signed. GGTL has signed an off-take agreement for 90 percent of its production to WLL for their captive consumption. GGTL is entitled to sell 10 percent of its production to any third party. In the event, WLL does not place the order or place short order and if GGTL fails to sell it in the open market within 15 days, then WLL will be liable to pay for such unsold quantity of Products at the prevailing Market Price plus 12 percent simple interest for the period of delay. Acuité believes that GGTL will remain exposed to high customer concentration risk over the long run post SCOD as any uncertain event/lower demand in WLL's end products might result in direct impact on GGTL's scale and profitability. However, this risk is to the extent offset by factors such as products being general in nature, offtake agreement of GGTL stating open sale to other customers in case WLL not to procure the committed offtake and WLL being a healthy cash profit generating company and is a market leader in home textile, exhibiting low demand risk.

Rating Sensitivities

- Lower than expected operating profit.
- Any deterioration in the financial risk profile.

Liquidity position: Adequate

GGTL's liquidity position is adequate as reflected through sufficient net cash accruals against the repayment obligations. The company registered NCA's of Rs.23.49 Cr. as on March 31, 2024 (Prov.), comfortably covering the debt obligation of Rs.10.36 Cr. for the same period. NCA's are expected to range between Rs.22-27 Cr. over the medium term which tightly match the expected repayment range of Rs.21-26 Cr. However, presence of DSRA reserve equivalent to one quarter's principal & interest obligations will provide comfort towards liquidity. Additionally, the efficient working capital operations along with unencumbered cash and bank balances will further support the liquidity position of the company. Acuité believes that the liquidity position of the company will remain adequate over the medium term on account of efficient working capital operations.

Outlook: Stable

Acuité believes that GGTL will continue to benefit over the medium term due to its experienced management, operational and technical support from WIL. The outlook may be revised to 'Positive', in case of higher-than expected revenues and profitability, improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than expected revenues and profitability or any significant stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	521.10	214.15
PAT	Rs. Cr.	1.43	0.11
PAT Margin	(%)	0.27	0.05
Total Debt/Tangible Net Worth	Times	2.68	3.01
PBDIT/Interest	Times	4.06	1.72

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
05 Jul 2023	Bank Guarantee (BLR)	Short Term	10.35	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	207.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Assigned)
18 May 2023	Term Loan	Long Term	207.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	10.35	ACUITE A2+ (Reaffirmed)
17 Feb 2022	Bank Guarantee (BLR)	Short Term	10.35	ACUITE A2+ (Assigned)
	Term Loan	Long Term	207.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Proposed Cash Credit	Long Term	30.00	ACUITE A- Stable (Assigned)
24 Jun 2021	Term Loan	Long Term	207.00	ACUITE BBB+ Stable (Assigned)

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.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.35	Simple	ACUITE A2+ Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	35.00	Simple	Not Applicable Withdrawn
Indian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	Not Applicable Withdrawn
Indian Bank	Not avl. / Not appl.	Term Loan	27 May 2021	Not avl. / Not appl.	30 Jun 2032	185.00	Simple	ACUITE A- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	27 May 2021	Not avl. / Not appl.	30 Jun 2032	22.00	Simple	ACUITE A- Reaffirmed & Withdrawn

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Katta Akhil Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@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.

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