



Press Release
GIMA MANUFACTURING PRIVATE LIMITED
November 04, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	29.50	ACUITE A- Stable Reaffirmed Negative to Stable	-
Bank Loan Ratings	0.50	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE A-**’ (read as **ACUITE A minus**) and the short term rating of ‘**ACUITE A2+**’ (read as **ACUITE A two plus**) on the Rs. 30.00 Cr. bank facilities of Gima Manufacturing Private Limited (GMPL; part of Gima group). The outlook is revised from ‘**Negative**’ to ‘**Stable**’.

Rationale for rating reaffirmation and revision in outlook

The outlook revision takes into account improvement in the operating income and stable profitability of Gimatex Group (GG). The group’s revenue improved and stood Rs. 1599.90 Cr. in FY2024 as against Rs. 1418.68 Cr. in FY2023 reflecting a YoY growth 12.77 percent. The operating profit of the group improved in absolute terms and stood at Rs. 165.05 Cr. in FY2024 as against Rs. 149.72 Cr. in FY2023. The revision outlook also considers the improving working capital cycle along with moderate financial risk profile and adequate liquidity position of the group. Going forward, ability of GG to improve its financial risk profile without any further deterioration in the debt protection metrics along with an improved scale of operations and efficient working capital cycle will remain key rating sensitivity factors.

About the Company

GMPL, incorporated in the year 1974, is engaged in the business of cotton seed de-linting. It was earlier engaged in cotton ginning and pressing activities. It now runs a cottonseed de-linting plant at Hinganghat, Maharashtra. Apart from this, the entity also runs pipe & tiles factory and mill board unit at Ballarpur & Kalamna in Chandrapur district. It sells almost its entire production of de-linted cotton seed to its group entity Gimatex Industries Private Limited (GIPL).

About the Group

GIPL started its operations as Rai Saheb Rekhchand Mohota Spinning & Weaving Mills Limited (RSR Mohota Mills) in the year 1898. It changed its name to Vibha Synthetics Private Limited in the year 1994 and further it got changed to its current name in the year 2005. GIPL is currently managed by the sixth generation of the Mohota family. GIPL is a completely integrated textile company with ginning, spinning, weaving and processing units. The company is engaged in the manufacturing of cotton yarn, blended yarn, fabrics and cotton seeds oil. The company has five manufacturing facilities, four are at Hinganghat, Yerla, Wani & Bela near Nagpur in Maharashtra and one in Ahmedabad, Gujarat.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Gima Manufacturing Private Limited (GMPL) & Gimatex Industries Private Limited (GIPL) together referred to as the 'Gimatex Group' (GG). The consolidation is in view of common management, operational & financial linkages between the entities.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

GG promoted by the Mohotafamily, originally hailing from Rajasthan, is a diversified business conglomerate with presence in textile manufacturing and trading since 1898. Apart from textiles, the group also has presence in cotton ginning & pressing, cotton seed de-linting, cotton seed oil, pipe & tiles factory and mill board unit. The management of GIPL is led by Mr. Prashant Mohota & Mr. Vineet Mohota who has over two decades of experience in the industry and are the sixth generation of the Mohota family managing the business. While GMPL is promoted by its director Mrs. Premlatadevi Mohota who is also a part of the Mohota family. The group also benefits from its qualified and experienced team of senior management which has helped them established long term relations with their customers as well as suppliers. GIPL is an integrated textile manufacturer with operations in cotton ginning to finished fabrics and cotton seed oil manufacturing. It has its plants at Hinganghat, Yerla, Wani & Bela near Nagpur in Maharashtra and one in Ahmedabad, Gujarat.

Acuité believes that GG will continue to benefit from extensive experience of its management, established track record of operations and presence in the industry.

Moderate financial risk profile

Financial risk profile of GG is moderate marked by healthy net worth, moderate gearing and average debt protection metrics. The tangible net worth of the group has improved and stood healthy at Rs. 505.02 Cr. as on 31 March 2024 as against Rs. 443.01 Cr. as on 31 March 2023 due to accretion to reserves. The group operates in a capital-intensive industry which requires large capex for capacity maintenance as well as addition. The gearing therefore remains moderately high on account of the management's moderately aggressive gearing policy and the capital-intensive nature of business. The gearing level (debt-equity) stood at 1.69 times as on 31 March 2024 as against 1.67 times as on 31 March 2023. The total debt increased and stood at Rs. 855.44 Cr. as on 31 March 2024 as against total debt of Rs. 740.95 Cr. in FY2023. The interest coverage declined and stood at 2.52 times for FY2024 as against 3.09 times for FY2023 whereas the DSCR improved marginally and stood at 1.09 times for FY2024 as against 1.04 times for FY2023.

Acuité believes that ability of GG to improve its financial risk profile over the medium term without any further deterioration in the debt protection metrics will remain a key rating sensitivity factor.

Improvement in scale of operations

GG reported improvement in its revenue of Rs. 1599.90 Cr. in FY2024 as against Rs. 1418.68 Cr. in FY2023 reflecting a YoY growth 12.77 percent supported by the rising demand of cotton yarns and stability in cotton prices in past 12-15 months. The operating profit of the group improved in absolute terms and stood at Rs. 165.05 Cr. in FY2024 as against Rs. 149.72 Cr. in FY2023. However, the EBITDA margin stood at 10.32% in FY2024 as against 10.55 % in FY2023 due to increase in raw material cost. Whereas the PAT increased to Rs. 60.24 Cr. in FY2024 as against Rs. 43.13 Cr. in FY2023 and PAT margin improved marginally and stood at 3.77% in FY2024 as against 3.04% in FY2023. For the current year FY2024-25 as on September 2024, GG has achieved an overall revenue of ~Rs. 825 Cr. In addition to this, the group has completed the capex of adding 35,904 additional spindles to increase its capacity of yarn spinning and grey fabric units in GIPL as on March 2024 which is expected to support the rising demand over the medium term.

Acuité believes that ability of GG to improve its scale of operations while maintaining the profitability margins will remain a key rating sensitivity factor.

Weaknesses

Working capital intensive nature of operations

The operations of GG are working capital intensive marked by its Gross Current Assets (GCA) of 202 days as on 31 March 2024 which improved against 209 days as on 31 March 2023. This is due inventory cycle of the group which stood high at 124 days as on 31 March 2024 as against 136 days as on 31 March 2023. The inventory days are generally high on account of seasonal nature of the raw material availability as the group must hold high

inventory levels during the harvest season for the entire year. The receivable days stood at 49 days as on 31 March 2024 as against 44 days as on 31 March 2023 and the creditor days stood at 27 days as on 31 March 2024 as against 29 days as on 31 March 2023. The average fund-based bank limit utilization for 1 year period ended August 2024 stood at ~71 percent.

Acuité believes that ability of GG to maintain improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Susceptibility of profitability to volatility in cotton and yarn prices

The main raw material for the group is cotton, and the procurement season for the same is during November to April every year, leading to high inventory holding at the end of every financial year. Hence, it is required to maintain an inventory of four to six months, leading to high working capital requirements. The cotton crop, being an agri-commodity, is dependent on weather conditions and is susceptible to plant pests and diseases, leading to volatility in cotton prices.

Presence in highly fragmented and competitive industry

The textile industry is highly fragmented and competitive, with a presence of a large number of organised and unorganised players, thereby limiting the group's bargaining power against its customers.

ESG Factors Relevant for Rating

Manufacture of textile has a substantial environmental impact. The inherent material risk to this industry is water efficiency and water pollution as it consumes large volumes of water in its manufacturing process. Another material risk is carbon footprint of the products. With the advent of fast fashion, key material issues like efficiency in raw material sourcing and energy intensive production become very crucial.

Employee health & safety management is of primary importance to the textile industry given the nature of operations. Additionally, product quality and safety is of utmost significance. Social issues such as child labour and forced labour are crucial considering the exploitative industry practices. Furthermore, responsible supply chain management and community relations are key influencing factors affecting the social score.

Governance factors albeit important have lower significance to the textile industry in comparison to social and environmental issues. Factors such as ethical business practices, management and board administration hold primary importance in manufacture of textile industry. Likewise, shareholder's rights and compliance regulations are other material issues to the industry

Rating Sensitivities

- Ability to improve financial risk profile
- Ability to improve scale of operations while maintaining the profitability and maintain an efficient working capital cycle

Liquidity Position

Adequate

GG has adequate liquidity position marked by healthy net cash accruals (NCA) to its maturing debt obligations. The group generated net cash accrual of Rs. 112.50 Cr. in FY2024 against its debt repayment obligation of Rs. 68.15 Cr. during the same period. Going forward the NCA are expected in the range of Rs.118 Cr. to Rs. 144 Cr. for period FY2025-FY2026 against its repayment obligation in the range of Rs. 82.96 Cr. to Rs. 85.76 Cr. for the same period. The working capital operations of the group are intensive marked by its gross current asset (GCA) days of 202 days as on 31 March 2024. Current ratio stands at 1.46 times as on 31 March 2024. The group has maintained cash & bank balance of Rs. 3.99 Cr. in FY2024.

Acuite believes that the liquidity of GG is likely to remain adequate over the medium term on account of healthy cash accruals against its maturing debt obligations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1599.90	1418.68
PAT	Rs. Cr.	60.24	43.13
PAT Margin	(%)	3.77	3.04
Total Debt/Tangible Net Worth	Times	1.69	1.67
PBDIT/Interest	Times	2.52	3.09

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. Acuite'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
07 Aug 2023	Term Loan	Long Term	1.97	ACUITE A- Negative (Reaffirmed)
	Term Loan	Long Term	0.68	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	11.50	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE A- Negative (Assigned)
	Cash Credit	Long Term	3.35	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Negative (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	0.50	ACUITE A2+ (Assigned)
30 Dec 2022	Term Loan	Long Term	2.54	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	1.21	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	3.25	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
10 May 2022	Term Loan	Long Term	2.54	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1.21	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	10.50	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	3.25	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A- 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
Axis Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.50	Simple	ACUITE A2+ Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A- Stable Reaffirmed Negative to Stable
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.50	Simple	ACUITE A- Stable Reaffirmed Negative to Stable
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.54	Simple	ACUITE A- Stable Reaffirmed Negative to Stable
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2025	0.48	Simple	ACUITE A- Stable Reaffirmed Negative to Stable
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2024	0.08	Simple	ACUITE A- Stable Reaffirmed Negative to Stable
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2030	2.90	Simple	ACUITE A- Stable Reaffirmed Negative to Stable

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

Sr.No.	Company Name
1	Gima Manufacturing Private Limited
2	Gimatex Industries Private Limited

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About Acuité Ratings & Research

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