



Press Release
GOODWILL FABRICS PRIVATE LIMITED
March 03, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.13	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	45.87	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple Ba**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 50.00 Cr. bank facilities of Goodwill Fabrics Private Limited (GFPL). The outlook is '**Stable**'.

Rationale for the rating

The rating reaffirmation considers the steady business risk profile marked by steady improvement in scale of operations and operating margins. The rating also derives comfort from the experienced management, healthy financial risk profile and adequate liquidity position of the company. The rating however remains constrained by the working capital-intensive nature of operations and vulnerability of the company's profitability to volatility in raw material prices and fluctuations in the forex rates.

About the Company

Incorporated in 1995 in Bhilwara, Rajasthan, Goodwill Fabrics Private Limited (GFPL) is the manufacturer and exporter of all kinds of knitted/woven readymade garments for men and women with a status of One Star Export House. The current directors of the company are Mr. Radhey Shyam Baheria and Mr. Rajendra Baheria.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of GFPL to arrive at the rating

Key Rating Drivers

Strengths

Long track record of operations and experienced management

The company has a long operational track record of over three decades. Further, the promoters have extensive experience in the garments manufacturing industry that has enabled the promoters to establish a strong clientele base in USA, Europe and Australia. Acuite believes that long track record of operations and extensive experience of the management shall support the business risk profile to an extent.

Steady business risk profile

The operating income of the company increased to Rs.160.30 Cr. in FY2024 as against Rs. 135.96 Cr. in FY2023, thereby registering the growth of ~17.90 per cent on account of favourable export market conditions. Furthermore, the company has achieved a revenue of Rs.146.41 Cr. in 10MFY2025. The operating margin of the company improved and stood at 8.58 per cent in FY2024 as against 7.65 per cent in FY2023. Further, the company reported EBITDA margin of 8.74 per cent in 10MFY2025. The PAT margin improved to 4.77 per cent in FY2024 as compared to 4.08 per cent in FY2023. Sustenance of operating margins while increasing its scale will remain a

key monitorable.

Healthy financial risk profile

The company's financial risk profile is healthy marked by comfortable net worth base, low gearing and comfortable debt protection metrics. The tangible net worth of the company increased to Rs. 53.71 Cr. as on March 31, 2024 from Rs. 46.06 Cr. as on March 31, 2023, due to accretion of profits to reserves. Total debt stood at Rs. 41.37 Cr. as on March 31, 2024 consisting of long term debt of Rs.4.20 Cr, USL of Rs. 0.07 Cr. and short-term debt of Rs. 37.09 Cr. Gearing stood below unity at 0.77 times as on March 31, 2024 as against 0.64 times as on March 31, 2023. Moreover, the comfortable debt protection metrics is marked by Interest Coverage Ratio of 7.07 times as on March 31, 2024 as against 5.79 times as on March 31, 2023; and Debt Service Coverage Ratio at 4.02 times as on March 31, 2024 as against 4.74 times as on March 31, 2023. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.22 times as on March 31, 2024 as against 0.23 times as on March 31, 2024. Acuité believes that going forward the financial risk profile of the company will be sustained backed by steady accruals and no major debt funded capex plans.

Weaknesses

Working capital intensive nature of operations

The company has a working capital-intensive nature of operations marked by high GCA of 169 days in FY2024 as against 155 days in FY2023 on account of high debtor collection period. The debtor days stood at 83 days in FY2024 as compared to 70 days in FY2023. Further, the inventory days stood at 49 days in FY2024 as compared to 42 days in FY2023. Further, the non-fund-based limits utilization stood at 71.73 per cent for six months ended January 2025. Acuité believes that the working capital requirement is likely to remain at similar levels in the near to medium term considering the moderate level of inventories and high level of debtors.

Exposed to volatility in raw material prices, demand trends in key export markets and forex rates

Similar to other apparel exporters, GFPL's profitability is vulnerable to volatility in raw material prices such as cotton, which have historically accounted for ~40-50 per cent of the cost of goods sold. Further, GFPL's profitability is exposed to the volatility in foreign currency exchange rates as most of its revenue is dominated by exports, though partly mitigated by the hedging practice through forward contracts.

Rating Sensitivities

Sustained improvement in operating income
Further elongation of working capital cycle
Deterioration in financial risk profile

Liquidity Position

Adequate

The company has an adequate liquidity position marked by net cash accruals of Rs. 9.23 Cr. as against long term debt repayment of only Rs. 0.83 Cr. in FY2024. Further, the company is expected to generate sufficient net cash accruals to repay its debt obligation in near to medium term. The current ratio stood comfortable at 1.54 times as on March 31, 2024. Further, the non-fund-based limits utilization stood at 71.73 per cent for six months ended January 2025. The cash and bank balances of the company stood at Rs.6.05 Cr. as on March 31, 2024. Acuité believes that going forward the company is likely to maintain adequate liquidity position on account of steady accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	160.30	135.96
PAT	Rs. Cr.	7.65	5.55
PAT Margin	(%)	4.77	4.08
Total Debt/Tangible Net Worth	Times	0.77	0.64
PBDIT/Interest	Times	7.07	5.79

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>
- 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
07 Dec 2023	Letter of Credit	Short Term	1.00	ACUITE A3+ (Assigned)
	Packing Credit	Short Term	39.00	ACUITE A3+ (Assigned)
	Proposed Short Term Bank Facility	Short Term	3.89	ACUITE A3+ (Assigned)
	Term Loan	Long Term	6.11	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
Bank of Baroda	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	42.00	Simple	ACUITE A3+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.87	Simple	ACUITE A3+ Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2030	4.13	Simple	ACUITE BBB Stable Reaffirmed

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Nidhi Gala Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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