



## Press Release

### GTN Enterprises Limited (GEL)

May 13, 2020

#### Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Long Term Fund Based Facilities	41.20	IVR B+/ Stable Outlook (IVR Single B Plus with Stable Outlook)	IVR BB /Stable Outlook (IVR Double B with Stable Outlook)	<b>Revised</b>
Long Term Debt – Term Loans	5.75 (Reduced from Rs. 7.99 crore)	IVR B+/ Stable Outlook (IVR Single B Plus with Stable Outlook)	IVR BB /Stable Outlook (IVR Double B with Stable Outlook)	<b>Revised</b>
Short Term Non-Fund Based Facilities	42.00 (Reduced from Rs. 44.00 crore)	IVR A4 (IVR A Four)	IVR A4 (IVR A Four)	<b>Reaffirmed</b>
<b>Total</b>	<b>88.95</b> <b>(Eighty Eight crore and Ninety Five lakh)</b>			

**Details of Facilities are in Annexure I**

#### Detailed Rationale

The rating continues to derives strength from Experienced promoters with long industry experience, Established relationships with clients and suppliers and Diversified market presence. However, the revision in the rating reflects declining overall financial parameters, Raw material price risk, Working capital intensive operations.



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### Key Rating Sensitivities

- **Upward rating factor(s)** – Substantial improvement in revenue and/or profitability margins leading to sustained improvement in debt protection metrics may lead to a positive rating action
- **Downward rating factor(s)** - Any deterioration in revenue and/or profitability margin leading to deterioration in debt protection metrics may lead to a negative rating action

### List of key rating drivers with detailed description

#### Key Rating Strengths

##### **Experienced promoters with long industry experience**

GEL is promoted by Mr. B.K. Patodia, who has an experience of over five decades in this industry. He is a renowned name in the textile industry and holds an engineering degree from BITS- Pilani. He established the GTN group in 1966, when he started a spinning mill in Kerala (GTN Textiles Limited). His son, Mr. Ankur Patodia is the Managing Director of the company. He has more than 20 years of industry experience.

##### **Established relationships with clients and suppliers**

GEL has established relationship with its clients. The company has a moderately diversified client base. The company has long term business relation and established supply arrangements for procuring the same.

##### **Diversified market presence**

The company exports fine and super fine counts of yarn to various countries. The company has been able to derive a significant portion of its revenues from exports, thereby reducing its dependence on domestic market. The exports are primarily to Germany, Korea, and Vietnam amongst many others.



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### **Key Rating Weaknesses**

#### **Declining overall financial parameters**

The revenue of the company was volatile in the last three years ended FY19 majorly due to volatile realisation. However, during 9MFY20 revenue declined to INR95.00 crore (9MFY19: INR122.00 crore) due to overall slowdown in the demand. EBITDA margin further decline to 5.42% in FY19 (FY18: 7.93%; FY17:11.29%). The decline in the EBITDA margin had affected the overall debt protection parameters of the company.

#### **Raw material price risk**

The primary raw materials for the company are raw cotton and cotton yarn. The prices of these raw materials are impacted by various factors like monsoon, government policies (MSP), demand-supply etc. As a result, the prices of cotton have been volatile over the last few years.

#### **Working capital intensive operations**

Operations of the company are working capital intensive with high reliance on creditors (104 days in FY19), although the average receivable collection days was moderate at 59 days in FY19. The inventory days was also high due to high raw material holding days which is inherent to the industry.

#### **Analytical Approach & Applicable Criteria**

Standalone

Rating methodology for manufacturing companies

Financial ratios and Interpretation (Non-Financial Sector)

#### **Liquidity - Stretched**

The company is earning a low level of GCA and the same is expected to increase gradually subject to increase in scale of operation and increasing levels of margin. In the past, the company had monetized few of its assets for paying its debt obligations and the same can



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be done in case the need arises. The fund based working capital limits have been fully utilized during the twelve months ended January 2020. The current ratio remains below unity in FY20. Overall the liquidity of the company remains stretched.

### About the Company

GTN Enterprises Limited (GEL) is an unlisted public limited company. The company commenced operation in the year 2005 and is engaged in manufacturing and export of fine and super fine combed cotton yarn from its manufacturing facility located at Udumalpet (Tamil Nadu). GEL is also engaged in trading of yarn, where some value addition (doubling, winding etc.) is done by the company. The company was promoted by Mr. B.K. Patodia who has over five decades of experience in spinning industry. Mr. Patodia holds an engineering degree from BITS Pilani. He is a renowned name in the textile industry. His son, Mr. Ankur Patodia is the Managing Director of the company. GEL is a part of GTN group, a major textile conglomerate having presence in spinning, yarn dyeing, knitting, knit processing and garmenting. GTN group comprises of GTN Textiles Ltd, Patspin India Ltd. and GTN Enterprises Ltd. Major activities such as procurement, marketing, order allocation etc. are done at the group level.

### Financials (Standalone)

(INR crores)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	158.23	162.48
EBITDA	12.56	8.81
PAT	2.59	-3.00
Total Debt	59.88	52.07
Tangible Networth	43.25	40.25
EBITDA Margin (%)	7.93	5.42
PAT Margin (%)	1.64	-1.84
Overall Gearing Ratio (x)	1.38	1.29

\*Classification as per Infomerics' standards



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### Status of non-cooperation with previous CRA:

CARE Ratings in its press release dated December 24, 2019 has migrated the rating of GTN Enterprises Limited to "Issuer Not Cooperating" category due to unavailability of adequate information.

### Any other information: NA

### Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount sanctioned/ outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19 (February 11, 2019)	Date(s) & Rating(s) assigned in 2017-18
1	Long Term Fund Based Limits	Long Term	41.20	IVR B+/ Stable outlook	-	IVR BB/ Stable outlook (February 11, 2019)	-
2	Long Term Debt – Term Loans	Long Term	5.75	IVR B+/ Stable outlook	-	IVR BB/ Stable outlook (February 11, 2019)	-
3	Short Term Non-Fund Based Facilities	Short Term	42.00	IVR A4	-	IVR A4 (February 11, 2019)	

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facilities	--	--	--	41.20	IVR B+/ Stable Outlook (IVR Single B Plus with Stable Outlook)
Long Term Debt - Term Loan	--	--	Ranging from May 2021 to March 2023	5.75	IVR B+/ Stable Outlook (IVR Single B Plus with Stable Outlook)
Short Term Non-Fund Based Facilities				42.00	IVR A4 (IVR A Four)