



Press Release

Gainup Industries India Private Limited

October 21, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
2.	Long Term Bank Facilities	39.70	IVR BBB-/ Credit Watch with Developing implications (IVR Triple B Minus with Credit Watch with Developing implications)	Assigned
3.	Short Term Bank Facilities	32.10	IVR A3 (IVR A Three)	Assigned
	Total	71.80		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Gainup Industries India Private Limited draws comfort from its experienced promoters and long track record, diversified product portfolio, continuous scale up of operations and satisfactory capital structure.. However, these rating strengths are partially offset by intense competition in the industry and its profitability susceptible to volatile raw material prices. The Rating also considers the Strong order book position of the firm reflecting satisfactory medium-term revenue visibility.

Key Rating Sensitivities:

Upward Factor:

- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics



Press Release

Downward factor:

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters and long track record:

GIPL has an operational track record from 2007. The company is promoted by Mr. S. Dwarakanathan and he along with her wife, Mrs. D. Indra, handle the day to day operations of the company. Long standing presence of the promoter in the industry has helped the firm to build established relationships with both customers and suppliers.

Diversified product portfolio:

GIPL derives 46% of income from socks division and 29% from yarn division and the rest from readymade garments in FY20. GIPL is engaged in manufacturing of yarn as well readymade garments such as gloves and socks. A diversified product portfolio enables the firm to spread its risk and reduces dependency on single/few products.

GIPL has long term relationship with reputed brands such as Decathlon, Marks & Spencers, etc for their socks and garment division.

Continuous scale up of operations:

The total operating income of the company has witnessed an increasing trend with a CAGR of ~20.25% during FY18-FY20 and stood at ~Rs.222 crore in FY20 as compared to ~Rs. 153 crore in FY18. The growth in the revenue was mainly driven by increase in sales of socks from 13.46 Mn Pair in FY18 to 22.08 Mn Pair in FY20. . The company gradually diversified its product portfolio in all the segments, which also underpinned growth in all the segments. With an increase in absolute value of EBITDA, PAT Margin has also increased from 1.78 in FY18 to 2.24% in FY20.



Press Release

Satisfactory capital structure:

The net worth (including Quasi Equity) of GIPL stood at Rs. 42.78 crore as of March 31, 2020. The long term debt equity ratio (including Quasi Equity) and overall gearing ratio (including Quasi Equity) improved from 0.36x and 1.64x respectively as on March 31, 2019 to 0.26x and 1.06x respectively as on March 31, 2020 . The total indebtedness of the company as reflected by TOL/TNW (including Quasi Equity) improved from 2.68x as on March 31, 2019 to 1.86x as on March 31, 2020 driven by decrease in bank borrowing and steady accretion of profit to net worth.

Key Rating Weaknesses

Profitability susceptible to volatile raw material prices:

The profitability of Textile mills depend largely on the prices of cotton and cotton yarn which are governed by various factors such as area under cultivation, monsoon, international demand-supply situation, etc. Cotton being the major raw material of spinning mills, volatility in the prices of cotton impacts the profitability of the company. The EBITDA margin of Gainup declined marginally from 6.75% in FY18 to 5.54% in FY19 due to higher operating expenses.

Highly fragmented, competitive nature of industry:

The Indian textile industry consists of large organized players who contribute to a major part of the production. The intense competition in highly fragmented textile industry restricts the ability of the company to completely pass on volatility in input cost to its customers.:

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

GIPL earned a GCA of Rs. 9.97 crore in FY20 as against its repayment obligation of Rs. 2.28 crore and bank limits remained utilized to the extent of ~79% during the past 12 months ended



Press Release

August 2020 indicating an adequate liquidity buffer. The company has a Current Ratio of 1.00x as of March 31, 2020. The free cash & cash equivalent was Rs. 9.25 Crore as on July 15, 2020. Liquidity is expected to remain Adequate.

About the Company

Gainup Industries India Private Limited (GIPL) was established by Mr Dwarakanathan in 2008-09 in Dindigul to manufacture cotton yarn and garments. The Company manufactures Cotton Yarn, Socks and Garments. The Company has an integrated production facility at Dindigul. The Spinning unit has a capacity of 20,400 spindles. The Sock production facility has 350 Knitting machines and the garment facility has 750 knitting machines. The company also has windmills of capacity 5.6 MW.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	205.02	221.55
EBITDA	13.85	12.28
PAT	3.95	5.05
Total Debt	54.09	45.34
Tangible Net worth	32.25	38.29
EBITDA Margin (%)	6.75	5.54
PAT Margin (%)	1.90	2.24
Overall Gearing Ratio (x)	1.64	1.06

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:



Press Release

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	27.70	IVR BBB-/ Credit Watch with Developing implications	-	-	-
2.	Cash Credit	Long Term	12.00	IVR BBB-/ Credit Watch with Developing implications			
3.	EPC	Short Term	20.00	IVR A3			
4.	Letter of Credit	Short Term	10.00	IVR A3			
5.	CEL	Short Term	2.10	IVR A3			

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Karan Girdhar
Tel: (011) 24611910
Email: kgirdhar@infomerics.com

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point



Press Release

in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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 – Term Loan	-	-	-	27.70	IVR BBB-/ Credit Watch with Developing implications
Long Term Fund Based – Cash Credit	-	-	-	12.00	IVR BBB-/ Credit Watch with Developing implications
Short Term Fund Based – EPC	-	-	-	20.00	IVR A3
Short Term Non-Fund Based- LC	-	-	-	10.00	IVR A3
Short Term Non-Fund Based- CEL	-	-	-	2.10	IVR A3