



Press Release

Goddess Textiles Private Limited

August 3, 2020

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Ratings Action
1	Long Term Bank Facilities	9.00	IVR B+/Stable (IVR Single B Plus with Stable Outlook)	Assigned
	Total	9.00 (Rupee Nine crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Goddess Textiles Private Limited (GTPL) derives strength from extensive experience of its promoter in textile industry and established clientele. However, these rating strengths remain constrained due to its small scale of operations, weak financial risk profile and susceptibility of its profitability to volatility in raw material prices. The rating also considers intense competition and subdued cotton industry scenario.

Key Rating Sensitivities

Upward Factors:

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Improvement in the capital structure and debt protection metrics
- Effective working capital management with improvement in operating cycle and liquidity

Downward Factors:

- Decline in operating income and/or profitability impacting the debt coverage indicators,
- Deterioration in the capital structure and debt protection metrics
- Elongation in the operating cycle impacting the liquidity and higher average utilisation in bank borrowings to more than 90% on a sustained basis



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of promoter in textile industry**

GTPL's operations are managed by Mr. R. Senthilkumar, having an experience of more than 15 years in the textile industry. Long presence in the industry has helped the company in establishing comfortable relationship with its suppliers and customers. The day to day affairs of the company is looked after by Mr. R. Senthilkumar.

- **Established clientele**

Long presence of the promoter in the textile industry has helped the company in developing longstanding relationship with various intermediaries in the value chain.

Key Rating Weakness:

- **Small scale of operations**

The company's scale of operations remained small, as reflected by its operating income of Rs.18.12 in FY20(Provisional). Further, its net profit margins remained thin at 0.59% in FY20.

- **Weak financial risk profile marked by small net worth base**

The financial risk profile of the company remained weak marked by small net worth base, leveraged capital structure and moderate debt protection metrics. The overall gearing ratio stood at 2.98x as on March 31, 2020. Interest coverage ratio remained moderate at 2.01x in FY20.

- **Profitability susceptible to fluctuations in key raw material prices**

The company's profitability is vulnerable to sharp fluctuations in raw material prices, which affects sales realisations. Cotton prices have been volatile in recent years, and with high cotton inventory stocking, its profitability remains susceptible to any adverse movement in cotton prices.

- **Intense competition**

The spinning industry is highly fragmented and competitive with the presence of large number of organised and unorganised players. Intense industry competition coupled with commoditised nature of the products limits the group's pricing flexibility and bargaining power.



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- **Subdued cotton industry scenario**

The domestic cotton spinning industry is highly dependent on exports, particularly to China, with ~30% of the yarn produced in India being exported. The outbreak of the coronavirus in China fueled the pressure on domestic and export yarn realisations and triggered moderation in realisations in recent times. Moreover, shutdowns in parts of the country have resulted in lockout of production units, resulting in lower demand for the yarn. Prolonged subdued industry scenario may impact the profitability of the company.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity Position: Adequate

The company's liquidity position remains stretched. The average utilisation of working capital limits stood almost full during the past 12 months ended March 2020. Further, stretched liquidity profile of the company is marked by tightly matched accruals vis-a-vis its repayment obligations over FY21-FY23.

About the Company

Incorporated in December 2014, Goddess Textiles Private Limited is engaged in the manufacturing of cotton yarn with an installed capacity of 10800 spindles. Its manufacturing unit is located in Kalangal Post, Suler Taluk, Coimbatore. The company is promoted by Shri R. Senthilkumar and S.Brindha.

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	16.86	18.69
EBITDA	2.13	1.96
PAT	0.22	0.08
Total Debt	10.22	13.00
Tangible Net worth	3.9	4.0
EBITDA Margin (%)	12.65	10.49
PAT Margin (%)	1.30	0.42



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For the year ended* / As On	31-03-2018	31-03-2019
Overall Gearing Ratio (x)	2.60	3.24

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

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	2.78	IVR B+/ Stable	-	-	-
2.	Cash Credit	Long Term	5.35	IVR B+/ Stable	-	-	-
3.	Unallocated	Long Term	0.87	IVR B+/ Stable	-	-	-

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.

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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. 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



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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.

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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 / Outlook
Long Term Bank Facilities - Term Loan	-	-	Dec 2023	2.78	IVR B+/ Stable
Long Term Bank Facilities- Cash Credit				5.35	IVR B+/ Stable
Long Term Bank Facilities - Unallocated				0.87	IVR B+/ Stable
Total				9.00	