



Press Release

GTN Textiles Limited

March 28, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	37.63	IVR D (IVR Single D)	Reaffirmed	Simple
Short Term Bank Facilities	28.50	IVR D (IVR Single D)	Reaffirmed	Simple
Total	66.13 (Rupees Sixty-Six Crore and Thirteen Lakh Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of rating assigned to the bank facilities of GTN Textiles Limited (GTN) reflects continuity of delays in debt servicing by the company owing to liquidity crunch.

Key Rating Sensitivities:

Upward Factors

- Regularization of delay for a period of 90 days on a continuous basis.

Downward Factors

- Not applicable.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with long industry experience**

GTL is a part of GTN group promoted by, Late Mr. M.L. Patodia. Presently, Mr. B.K. Patodia (Son of Mr. M.L. Patodia) who has over five decades of experience in spinning industry is at the helm of affairs of the company. The group derives its strength from rich experience of promoters in marketing of cotton yarns in international market for over three decades.

Key Rating Weaknesses

- **Delay in debt servicing**



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There has been delays in debt servicing by GTL owing to liquidity crunch. The company's operations have been severely affected by the covid-19 pandemic and halt of bank facilities. Consequently, cash flow position of the company remains stretched leading to delay in debt servicing. However, the company has performed better in 9MFY22 and earned a revenue of ~Rs.67 crore.

- **Weak financial profile marked by weak debt service coverage indicators**

The financial profile remains constrained due to low earnings during the recent fiscals, resulting in sustained net losses and consequent erosion of net worth. The company's net loss widened from Rs.8.73 crore in FY20 to Rs.36.01 crore in FY21. Due to its weak profitability and depressed accruals, the debt service coverage indicators of the company remained weak.

- **Susceptibility to volatility in cotton and cotton yarn prices, and currency movements**

Similar to other entities in the spinning sector, the profitability of GTL remains exposed to volatility in cotton prices due to stocking of cotton during the harvest season. Further, the inability to pass on any increase in raw material prices to the end customer may adversely impact the profitability. With GTL importing a significant portion of raw materials requirement, the margins remain exposed to fluctuations in forex rates, however, the risk is partly mitigated by the natural hedge provided by export sales.

- **Fragmented industry characterized by intense competition from large number of players**

The industry is fragmented to a large extent with the presence of numerous small sized companies along with various large and established players. This exerts pressure on the margins of the company.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on Default Recognition and Post-Default Curing Period](#)

Liquidity – Poor



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GTL's liquidity position remains poor owing to cash losses from operations coupled with the inherent high working capital intensity in the business.

About the Company

Kerala based GTN Textiles Ltd (GTL) is engaged in manufacturing of yarn counts ranging from 30s to 120s, with high concentration on the fine/superfine counts (60s and above). The company has an installed capacity of 51,808 spindles of which 27,840 spindles run on compact spinning system and the rest on the ring frame system.

Financials: Standalone

For the year ended* / As On	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	131.00	46.26
EBITDA	0.05	-8.79
PAT	-8.73	-36.01
Total Debt	64.26	72.35
Tangible Net worth	-7.77	-32.50
EBITDA Margin (%)	0.04	NM
PAT Margin (%)	NM	NM
Overall Gearing Ratio (x)	NM	NM
Interest Coverage Ratio (x)	0.01	NM

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Care Ratings in its press release dated November 10, 2021, has continued rating of GTN Textiles Limited under Issuer Not Cooperating category due to non-availability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facilities – Term Loan*	Long Term	1.63	IVR D	IVR D; (Dec 29,2020)	IVR BB-/Stable Outlook (Oct 11,	-



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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
						2019)	
2.	Long Term Bank Facilities – Cash Credit	Long Term	21.60	IVR D	IVR D; (Dec 29,2020)	IVR BB-/Stable Outlook (Oct 11, 2019)	-
3.	Short Term Bank Facilities – EPC/PCFC	Short Term	14.40	IVR D	IVR D; (Dec 29,2020)	IVR A4 (Oct 11, 2019)	-
4.	Short Term Bank Facilities – Letter of credit/Bank Guarantee	Short Term	28.50	IVR D	IVR D; (Dec 29,2020)	IVR A4 (Oct 11, 2019)	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.



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For more information visit www.infomerics.com

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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 Bank Facilities – Term Loan	-	-	-	1.63	IVR D
Long Term Bank Facilities – Cash Credit	-	-	-	21.60	IVR D
Short Term Bank Facilities – EPC/PCFC	-	-	-	14.40	IVR D
Short Term Bank Facilities – Letter of credit/Bank Guarantee	-	-	-	28.50	IVR D

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/GTN-Textiles-lenders-mar22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.