



Press Release

Gainup Industries India Private Limited
Jan 18, 2024

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facility	Rs. 54.77 crore	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
2.	Short Term Bank Facility	Rs. 85.50 crores	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
	Total	Rs. 140.27 Crores	Rupees One Hundred Forty Crores and Twenty Seven Lakhs Only.			

Details of Facilities are in Annexure 1.

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long-term rating at IVR BBB with Stable outlook and short-term rating reaffirmed at IVR A3+ for the bank loan facilities of Gainup Industries India Private Limited (GIPL).

The rating reaffirmation of Gainup Industries India Private Limited is on account of continuation of comfortable financial risk profile, stable scale of operations, comfortable debt protection metrics, diversified product portfolio, besides experienced management and established track record. However, these rating strengths remain constrained by leveraged capital structure, profitability susceptible to volatility in raw material prices, fragmented and competitive nature of the industry.

The Stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the GIPL's business & financials risk profile will be maintained over the medium term. IVR expects that the company performance will be in line with the given projections.

Upward Factors

- Significant and sustained growth in scale of business with sustenance of profitability margins thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or deterioration in the financial risk profile.



Press Release

- Any further significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

IVR has principally relied on the standalone audited financial results of GIPL up to FY23, three years projected financials till FY26, and publicly available information/ clarifications provided by the company's management.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters and long track of record:

GIPL has good operational track record since 2007. The company is promoted by Mr. S. Dwarakanathan and he along with his wife, Mrs. D. Indra, handle the day-to-day operations of the company and have more than decade of experience in the same line of business. Long standing presence of the promoter in the industry has helped the company to build good relationships with both customers and suppliers.

Diversified product portfolio:

GIPL is engaged in manufacturing of yarn as well readymade garments, gloves and socks. GIPL derives ~43% of income from socks division, ~12% from yarn division, ~6% from gloves division and the rest from readymade garments in FY23. 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.

Stable scale of operations

The total operating income (TOI) of the company has witnessed modest y-o-y growth of ~4% in FY23 against FY22 owing to low demand of product overseas. The total operating income registered TOI of Rs. 357.43 crore in FY23 against Rs. 345.21 crore in FY22. The company registered revenue of Rs 294 crore in 9MFY24 against Rs 252 Crs in 9MFY23.

Comfortable debt protection metrics

The debt protection metrics of the company remained comfortable over the years, indicated from comfortable interest coverage ratio at 3.08x in FY23 (PY:3.70x) whereas debt service coverage ratio remained satisfactory at 1.70x in FY23 as against 1.99x in FY22. Though there is some deterioration in debt protection metrics but still comfortable.

Key Rating Weaknesses

Leveraged capital structure

The company has a moderately leveraged capital structure on account of modest net worth of Rs 72.32 crore as on March 31, 2023 (Rs 61.87 crore in FY21) as compared to the total debt of the company. The overall gearing deteriorated due to increase in total debt, mainly working capital, of the company but remained satisfactory at 2x in FY23 in FY23 as against 1.67x in FY22. Total indebtedness of the company as reflected by the TOL/TNW at 2.89x in FY23 as against 2.61x in FY22.



Press Release

Profitability susceptible to volatility in raw material prices

The profitability of textile mills depends 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.

Highly fragmented and competitive nature of industry

The Indian textile industry consists of large and 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.

Applicable Criteria:

Rating Methodologies for Manufacturing Entities

Financial Ratios & Interpretation Non- Financial Sector

Criteria for assigning rating outlook

Liquidity – Adequate

GIPL adequate liquidity marked by gross cash accruals (GCA) of Rs.19.30 crore as against its repayment obligation of Rs 8.09 crore as on March 31,2023 and expected GCA of >20 crore against repayment obligation of Rs 8.78 crore for FY24. The company's fund-based working capital limits for last 12 months ending Oct 2023 stood at ~90%. The company had cash & cash equivalent of Rs 2.48 crore at the end of March 2023. Though the current is weak at 1x in FY23 but the risk is offset by company comfortable financial risk profile.

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 around 20000 spindles. The sock production facility produces 40 Mn. pairs, and the garment facility produces 14 Mn. pieces. The company also has windmills of 5.6 MW capacity.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	345.21	357.43
EBITDA	32.42	31.56
PAT	14.01	10.45
Total Debt	103.42	144.36
Tangible Net worth	61.87	72.32
EBITDA Margin (%)	9.39	8.83
PAT Margin (%)	4.06	2.92



Press Release

For the year ended*/As on	31-03-2022	31-03-2023
Overall Gearing Ratio (x)	1.67	2.00

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument / Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (17 Nov,2022)	Date(s) & Rating(s) assigned in 2021-22 (11 Sep,2021)	Date(s) & Rating(s) assigned in 2020-21 (21 Oct,2020)
1.	Long Term Fund Based	Long Term	54.77	IVR BBB Stable Reaffirmed	IVR BBB/ Stable	IVR BBB-/ CWDI*	IVR BBB-/ CWDI*
2.	Short Term Non-Fund Based	Short	85.50	IVR A3+ Reaffirmed	IVR A3+	IVR A3/CWDI*	IVR A3

*CWDI-Credit Watch with Developing Implications

Name and Contact Details of the Rating Analyst:

Name: Mr. Raman Thakur Tel: (011) 45579024 Email: raman.thakur@infomerics.com	Name: Mr. Vipin Jindal Tel: (011) 45579024 Email: vipin.jindal@infomerics.com
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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



Press Release

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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- Term Loan/GECL	-	-	-	33.77	IVR BBB/ Stable
Long Term Bank Facility – Cash Credit	-	-	-	21.00	IVR BBB/ Stable
Short Term Bank Facility -EPC	-	-	-	80.00	IVR A3+
Short Term Bank - CEL	-	-	-	5.50	IVR A3+

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-gainup-jan24.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