



Press Release

Gainup Technotek Limited

May 22, 2023

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	119.70	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	6.06	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Total	125.76	Rupees One Hundred Twenty Five Crore and Seventy Six Lakhs Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BB+ with a Stable Outlook and short term rating of IVR A4+ for the bank loan facilities of Gainup Technotek Limited (GTL).

The rating draws comfort from its extensive industry experience of the promoter and diversified product portfolio. However, these strengths are partially offset by nascent stage of operations, highly fragmented and competitive nature of industry and profitability susceptible to volatility in raw material prices.

IVR has principally relied on the standalone audited financial results of GTL upto 31 March 2022, provisional financials for FY23 and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in the operating income and profitability resulting in the improvement of the financial risk profile and liquidity profile of the company.
- Effective working capital management with improvement in operating cycle and liquidity



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Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive industry experience of the promoter

The company is promoted by Mr. S. Dwarkanathan and he looks at the day to day operations of the company. The promoter has an experience of around two decades in textile industry. This has given them an understanding of the dynamics of the market and enabled them to establish relationships with suppliers and customers.

Diversified product portfolio

GTL derives ~64% of total operating income manufacturing of woven and ~34% from gloves during FY23. GTL is engaged in manufacturing of woven gloves and socks. A diversified product portfolio enables the entity to spread its risk and reduces dependency on single/few products.

Key Rating Weaknesses

Nascent stage of operations

GTL's business profile is constrained by its nascent stage of operations in the intensely competitive textile industry. The company has recently started its operations in June 2022. GTL has achieved revenue of Rs.96.71 crore during FY23 provisional. GTL's scale of operations will continue limit its operating flexibility.



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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.

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.

Analytical Approach: For arriving at the ratings, IVR has analysed GTL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The liquidity is expected to remain adequate marked by resourcefulness of the promoters. The company has generated a cash accrual of Rs.5.61 crore in FY23 (provisional) against the nil debt repayment obligations. Further, the company is expected to earn a gross cash accrual in the range of ~Rs. 21.00-25.00 crore during FY24-26 and would be sufficient to meet its debt repayment obligations of Rs. 9.15 crore during FY24-26. Further, company has reported cash and bank balance of Rs.1.21 crore as on March 31, 2023 (provisional). All these factors reflect adequate liquidity position of the company.



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About the Company

Gainup Technotek Limited (GTL) was established by Mr Dwarakanathan in December 2021 and has its registered office at Dindigul. The company manufactures the apparels and gloves made up of woven fabrics. The company has production facility at Dindigul. The company is engaged in both market i.e domestic and exports. The operation of the company has started from June 2022. Currently, the company has only one client i.e M/s. Decathlon (this is well known brand for sports products worldwide and they procure Woven Garments and Gloves from the company for various outlets in India and also in overseas – European, US and Asian Countries).

Financials (Standalone):

(Rs. Crore)

For the year ended*	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	-	96.71
EBITDA	-	10.63
PAT	-	3.17
Total Debt	-	91.55
Tangible Net worth	4.50	37.20
EBITDA Margin (%)	-	10.99
PAT Margin (%)	-	3.25
Overall Gearing Ratio (x)	-	2.38

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: Nil

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	92.20	IVR BB+/ Stable	-	-	-
2.	Cash Credit	Long Term	27.50	IVR BB+/ Stable			



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Sr. No.	Type of Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
3.	CEL	Short Term	2.21	IVR A4+	-	-	-
4.	EPCG Bank Guarantee	Short Term	3.85	IVR A4+	-	-	-

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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.

For more information visit www.infomerics.com.

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 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



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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 Facilities – Term Loan 1	-	-	Feb 2034	86.30	IVR BB+/ Stable
Long Term Facilities – Term Loan 2	-	-	June 2031	5.90	IVR BB+/ Stable
Long Term Facilities – Cash Credit	-	-	-	27.50	IVR BB+/ Stable
Short Term Facilities - CEL	-	-	-	2.21	IVR A4+
Short Term Facilities -EPCG Bank Guarantee	-	-	-	3.85	IVR A4+

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-may23.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 [Complexity Level of Rated Instruments/Facilities](#).