Press Release

Grospinz Fabz Limited

September 16, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	119.65	IVR BBB/Stable (IVR Triple B with Stable Outlook)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
2.	Short Term Bank Facilities	125.50	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
	Total	**245.15**	**Rupees Two Hundred Forty Five Crore and Fifteen Lakhs Only**			

Details of Facilities are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long term rating and short term rating of IVR BBB with Stable outlook and IVR A3+ respectively for the bank loan facilities of Grospinz Fabz Limited (GFL).

The rating continues to draw comfort from its experienced promoters and long track record of operations, locational advantage, improvement in scale of operations. However, these rating strengths are partially offset by average financial risk profile, susceptibility to volatility in raw material prices & forex fluctuations, exposure to agro climatic risks and government regulations.

The ‘stable’ outlook reflects favourable demand of company’s product as well as extensive experience of promoters in the business leading to regular inflow of orders. Also going forward the company is expecting a favourable cash generation as well as a stable financial risk profile marked by moderate capital structure as well as debt protection profile.

IVR has principally relied on the audited financial results of GFL’s up to 31 March 2023, FY2024 (refers to period from 1st April 2023 to 31st March 2024) unaudited management certified provisional results and projected financials for FY25, FY26 and FY27, and publicly available information/ clarifications provided by the company’s management.

Upward factors

- Growth in scale of operations above Rs.600.00 crore with improvement in profitability.

- Improvement in capital structure with improvement in debt protection metrics.
- Prudent working capital management with improvement in liquidity position.

Downward factors

- Decline in scale of operations and/or profitability impacting the operating margin and debt protection metrics on a sustained basis.
- Moderation in the capital structure and/or moderation in debt protection metrics.
- Withdrawal of unsecured loan from the promoters and/or stretch in operating cycle leading to moderation in liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and long track record of operations:**

The promoters, Mr. Babu Lal Grover (Director), Mr. Navneet Grover (CEO) and Mr. Supneet Grover (Director) are associated with GFL since inception and has a vast experience of around four decades in the textile industry through GFL and its sister concern Muktsar Cotton (P) Ltd. Extensive experience of the promoters underpin the business risk profile of the company and supports it to develop established relationship with its customers which enabled the company to receive repeat orders, with a strong order book position. GFL derives 56% of revenue from overseas and the remaining 44% of revenue from domestic market in FY2024 (provisional).

- **Locational advantage:**

Grospinz Fabz Limited is engaged in manufacturing of cotton yarn. Favourable location of the plant in close proximity to cotton growers in Punjab and Gujrat has led to development of long-term relationships with the suppliers and therefore easy procurement of raw materials. Further, Punjab also being one of major textile hub drives demand for company’s product and provides competitive advantage.

- **Improvement in scale of operations:**

In FY2024 (provisional), the company's performance has shown significant improvement. Total operating income improved by 28.24%, increasing from Rs. 431.08 crore in FY2023 to Rs. 552.80 crore in FY2024 (Provisional) on account of increased sales volume despite a decline in average selling price. Additionally, the EBITDA margin has improved from 3.62% in FY2023 to 4.74% in FY2024, reflecting enhanced profitability. However, the PAT margin has marginally declined to 1.57% in FY2024 from 1.89% in the previous year, due to higher interest expenses.

Key Rating Weaknesses

- **Average financial risk profile:**

The overall gearing ratio of the company stood moderate at 2.35x as on March 31,2024 (Provisional) as against 2.53x as on March 31,2023. Total indebtedness of the company as reflected by the TOL/TNW also stood moderate at 2.47x as on March 31,2024 (Provisional) as against 2.68x as on March 31, 2023. The debt protection metrics of the company remained moderate over the years. The interest service coverage ratio (ISCR) and debt service coverage ratio remained moderate at 1.82x and 1.28x in FY2024 (Provisional) as compared to 1.62x and 1.33x in FY2023.

- **Susceptibility to volatility in raw material prices & forex fluctuations:**

The company derives major of its total revenue from the yarn segment, which is susceptible to volatility in cotton and cotton yarn prices. Prices & demand of both raw materials and finished goods are driven by international & domestics demand-supply dynamics. As a result, the operating margin along with the realisation keeps on fluctuating in tandem with the market conditions. Additionally, as company derives 56% of its revenues from the overseas markets, it is also susceptible to volatility in forex rates.

- **Exposure to agro climatic risks and government regulations:**

Cotton being an agro-commodity is susceptible to agro-climatic risks. The profit margins are highly susceptible to changes in the prices of cotton. The Government through the Minimum Support Price (MSP) fixes the price of cotton. However, the purchase price depends on the prevailing demand-supply situation, which restricts bargaining power with suppliers as well. Any adverse movement of cotton prices further impacts profitability. Additionally, demand for yarn largely is driven by international demand supply dynamics, resulting in volatile margins.

Analytical Approach: For arriving at the ratings, IVR has analysed GFL'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.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity position of the company appears to be adequate in the near term. The company has a current ratio of 1.34x as on March 31, 2024 (Provisional). Moreover, the company is expected to generate cash accruals in the range of Rs.23.96 crore to Rs.24.93 crore as against its debt servicing obligation of Rs.18.40 crore to Rs.15.55 crore during FY2025-FY2027. The company's fund-based working capital limits utilisation for last 12 months ending June 2024 stood at 82.74% indicating moderate liquidity buffer.

About the Company

GFL is engaged in the manufacturing of cotton yarns from Ne30s to Ne42s. Both the units have latest equipment and are staffed with well-qualified and experienced personnel. The facilities are capable of producing 16 million pounds of ring spun yarn per year. The product range includes coarse and medium count yarns ranging from 12/1 to 36/1. GFL also offer double yarns and knitted fabric. It has an installed capacity of 65894.40 Qtls. GFL sells its products in different regions of the country like, Delhi, Ludhiana, Gurgaon, Ahmedabad, Kanpur, Maharashtra, etc. throughout the year. The company also exports its products to various countries like, Bangladesh, Colombia, Portugal, Israel, Italy, Singapore, Malaysia, etc.

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	431.08	552.80
EBITDA	15.62	26.18
PAT	8.32	8.82
Total Debt	202.98	208.61
Tangible Net worth	80.12	88.95
EBITDA Margin (%)	3.62	4.74
PAT Margin (%)	1.89	1.57
Overall Gearing Ratio (x)	2.53	2.35
Interest Coverage Ratio (x)	1.62	1.82

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: ACUITE vide press release dated September 06, 2023, has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (August 28, 2023)	Date(s) & Rating(s) assigned in 2022-23 (September 30, 2022)	Date(s) & Rating(s) assigned in 2022-23 (July 15, 2022)
1.	Fund Based	Long Term	119.65	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable
2.	Fund Based	Short Term	117.00	IVR A3+	IVR A3+	IVR A3+	IVR A3+
3.	Non-Fund Based	Short Term	8.50	IVR A3+	IVR A3+	IVR A3+	IVR A3+

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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.

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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
Term Loan	-	-	October 2027	9.18	IVR BBB/Stable
Term Loan	-	-	March 2028	9.64	IVR BBB/Stable
Term Loan	-	-	February 2032	51.95	IVR BBB/Stable
GECL	-	-	March 2030	8.11	IVR BBB/Stable
Term Loan	-	-	September 2028	12.86	IVR BBB/Stable
Term Loan	-	-	June 2028	2.18	IVR BBB/Stable
Term Loan	-	-	September 2028	6.66	IVR BBB/Stable
LAP	-	-	December 2027	1.07	IVR BBB/Stable
Cash Credit	-	-	-	18.00	IVR BBB/Stable
EPC/PCFC	-	-	-	55.00	IVR A3+
EBR/Non-LC Bill Discounting	-	-	-	30.00	IVR A3+
FBP	-	-	-	15.00	IVR A3+
Bank Guarantee	-	-	-	3.50	IVR A3+
Line of Credit	-	-	-	17.00	IVR A3+
Forward Contract	-	-	-	5.00	IVR A3+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-grospinz-sep24.pdf

Annexure 3: Detailed explanation of covenants of the rated securities/facilities: Not Applicable
Annexure 4: List of companies considered for consolidated/Combined analysis: 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.