



Press Release

GTN Textiles Limited

June 22, 2023

| Ratings Facilities | Amount (Rs. crore) | Ratings | Rating Action | Complexity Indicator |
|-------------------------------|---|-------------------------|----------------------|---|
| Long Term Bank Facility | 23.23 | IVR D (IVR Single D) | Reaffirmed | Simple |
| Short Term Bank Facility | 42.90 | 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. Currently, the manufacturing activities of the company remained suspended. Consequently, cash flow position of the company remains stretched leading to delay in debt servicing. During FY23 the company has earned a revenue of ~Rs.10 crore with a net loss of Rs.17.97 crore.

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 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

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



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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) | |
|-----------------------------|-------------|------------|
| | 31-03-2022 | 31-03-2023 |
| | Audited | Audited |
| Total Operating Income | 83.46 | 9.99 |
| EBITDA | -0.71 | -0.91 |
| PAT | -14.05 | -17.97 |
| Total Debt | 73.13 | 26.03 |
| Tangible Net worth | -46.27 | 26.89 |
| EBITDA Margin (%) | NM | NM |
| PAT Margin (%) | NM | NM |
| Overall Gearing Ratio (x) | NM | NM |
| Interest Coverage Ratio (x) | NM | NM |

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Care Edge Ratings vide its press release dated November 18, 2022, has continued the 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 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 | LT | 1.63 | IVR D | - | IVR D; (March 28,2022) | IVR D; (Dec 29,2020) |
| 2. | Cash Credit | LT | 21.60 | IVR D | - | IVR D; (March 28,2022) | IVR D; (Dec 29,2020) |
| 3. | EPC/PCFC | ST | 14.40 | IVR D | - | IVR D; (March 28,2022) | IVR D; (Dec 29,2020) |
| 4. | Letter of credit/Bank Guarantee | ST | 28.50 | IVR D | - | IVR D; (March 28,2022) | IVR D; (Dec 29,2020) |

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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 <https://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 |
|------------------|------------------|------------------|---------------|------------------------------|--------------------------|
| Term Loan | - | - | - | 1.63 | IVR D |
| Cash Credit | - | - | - | 21.60 | IVR D |
| EPC/PCFC | - | - | - | 14.40 | IVR D |
| Letter of | - | - | - | 28.50 | IVR D |



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| | | | | | |
|--------------------------|--|--|--|--|--|
| credit/Bank Guarantee | | | | | |
|--------------------------|--|--|--|--|--|

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-GTN-Textiles-jun23.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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 <https://www.infomerics.com>.

