



Press Release

GTN Enterprises Limited (GEL)

March 04, 2021

Rating

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Long Term Fund Based Facilities	41.20	IVR B/ Credit Watch with Developing Implications (IVR Single B with Credit Watch with Developing Implications)	IVR B+ /Stable Outlook (IVR Single B Plus with Stable Outlook)	Revised
Long Term Debt – Term Loans	5.75 (reduced from Rs. 7.99 crore)	IVR B/ Credit Watch with Developing Implications (IVR Single B with Credit Watch with Developing Implications)	IVR B+ /Stable Outlook (IVR Single B Plus with Stable Outlook)	Revised
Short Term Non-Fund Based Facilities	42.00 (reduced from Rs. 44.00 crore)	IVR A4 (IVR A Four)	IVR A4 (IVR A Four)	Reaffirmed
Total	88.95 (Eighty Eight crore and Ninety Five lakh)			

Details of Facilities are in Annexure I

Rating Action

The revision in the rating assigned to the bank facilities of GTN Enterprises Limited is due to a substantial deterioration in GCA of FY20 resulting from decreasing revenue and profitability



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leading to lower DSCR levels. Moreover, the company is going through the COVID-19 induced liquidity stress leading to inability in servicing its debt obligations in a timely manner. The company has applied for restructuring proposal under Resolution Framework for COVID-19 related stress RBI circular dated 06th August 2020 and Resolution Framework for COVID-19 related stress Financial Parameters RBI circular dated 07th September 2020 submitted to the consortium of bankers on October 15th, 2020, which is currently under process. The date of invocation is observed on November 17th, 2021.

Detailed Rationale

The rating continues to derive strength from Experienced promoters with long industry experience, Established relationships with clients and suppliers and Diversified market presence. However, the revision in the rating reflects declining overall financial parameters, Raw material price risk, Working capital intensive operations.

Key Rating Sensitivities

Upward rating factor(s) –

- Substantial improvement in revenue and/or profitability margins
- Sustained improvement in debt coverage indicators

Downward rating factor(s) –

- Any further deterioration in revenue and/or profitability margin or debt protection ratios.
- Any delays in the restructuring of the debt by the lenders under the Resolution Framework for COVID-19 related stress.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters with long industry experience

GEL is promoted by Mr. B.K. Patodia, who has an experience of over five decades in this industry. He is a renowned name in the textile industry and holds an engineering degree from



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BITS- Pilani. He established the GTN group in 1966, when he started a spinning mill in Kerala (GTN Textiles Limited). His son, Mr. Ankur Patodia is the Managing Director of the company. He has more than 20 years of industry experience.

Established relationships with clients and suppliers

GEL has established relationship with its clients. The company has a moderately diversified client base. The company has long term business relation and established supply arrangements for procuring the same.

Diversified market presence

The company exports fine and super fine counts of yarn to various countries. The company has been able to derive a significant portion of its revenues from exports, thereby reducing its dependence on domestic market. The exports are primarily to Germany, Korea, and Vietnam amongst many others.

Key Rating Weaknesses

Declining overall financial parameters

The revenue of the company was volatile in the last three years ended FY19 majorly due to volatile realisation. However, during 9MFY20 revenue declined to INR95.00 crore (9MFY19: INR122.00 crore) due to overall slowdown in the demand. EBITDA margin further decline to 5.42% in FY19 (FY18: 7.93%; FY17:11.29%). The decline in the EBITDA margin had affected the overall debt protection parameters of the company.

Raw material price risk

The primary raw materials for the company are raw cotton and cotton yarn. The prices of these raw materials are impacted by various factors like monsoon, government policies (MSP), demand-supply etc. As a result, the prices of cotton have been volatile over the last few years.



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Working capital intensive operations

Operations of the company are working capital intensive with high reliance on creditors (104 days in FY19), although the average receivable collection days was moderate at 59 days in FY19. The inventory days was also high due to high raw material holding days which is inherent to the industry.

Analytical Approach & Applicable Criteria

Standalone

Rating methodology for manufacturing companies

Financial ratios and Interpretation (Non-Financial Sector)

Default Recognition and Post Default Curing Period

Liquidity - Stretched

The company is currently going through re-structuring of its financial debt under the COVID-19 stress framework of RBI, circular dated August 6th, 2020 and 2020 and Resolution Framework for COVID-19 related stress Financial Parameters RBI circular dated 07th September 2020. The company is earning a low level of GCA. The working capital limits of the company have been fully utilized during the twelve months ended December 2020. The current ratio remains below unity in FY20. The overall the liquidity of the company remains stretched.

About the Company

GTN Enterprises Limited (GEL) is an unlisted public limited company. The company commenced operation in the year 2005 and is engaged in manufacturing and export of fine and super fine combed cotton yarn from its manufacturing facility located at Udumalpet (Tamil Nadu). GEL is also engaged in trading of yarn, where some value addition (doubling, winding etc.) is done by the company. The company was promoted by Mr. B.K. Patodia who has over five decades of experience in spinning industry. Mr. Patodia holds an engineering degree from BITS Pilani. He is a renowned name in the textile industry. His son, Mr. Ankur Patodia is the Managing Director of the company. GEL is a part of GTN group, a major textile conglomerate having presence in spinning, yarn dyeing, knitting, knit processing and garmenting. GTN group



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comprises of GTN Textiles Ltd, Patspin India Ltd. and GTN Enterprises Ltd. Major activities such as procurement, marketing, order allocation etc. are done at the group level.

Financials (Consolidated):

(INR Crore)

For the year ended* / As on	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	162.48	130.12
EBITDA	8.81	-0.86
PAT	-3.00	-11.58
Total Debt	52.07	45.54
Tangible Net worth (Book Value)	39.92	28.44
EBIDTA Margin (%)	5.42	-0.66
PAT Margin (%)	-1.84	-8.87
Overall Gearing Ratio (x)	1.30	1.51

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

CARE Ratings in its press release dated January 08, 2021 has reaffirmed the rating of GTN Enterprises Limited to "Issuer Not Cooperating" category.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (13.05.20)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19 (11.02.19)
1	Long Term Fund Based Limits	Long Term	41.20	IVR B/ Credit Watch with Developing Implications	IVR B+/ Stable outlook	--	IVR BB/ Stable Outlook
2	Long Term Debt – Term Loans	Long Term	5.75	IVR B/ Credit Watch with Developing Implications	IVR B+/ Stable outlook	--	IVR BB/ Stable Outlook



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3	Short Term Non-Fund Based Facilities	Short Term	42.00	IVR A4	IVR A4	--	IVR A4
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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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
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Long Term Fund Based Facilities	--	--	--	41.20	IVR B/ Credit Watch with Developing Implications
Long Term Debt - Term Loan	--	--	Ranging from May 2021 to March 2023	5.75	IVR B/ Credit Watch with Developing Implications
Short Term Non-Fund Based Facilities	-	-		42.00	IVR A4

