

February 12, 2024

Gokaldas Exports Limited - Placed on Rating Watch with Developing Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short Term – Fund Based	345.00	345.00	[ICRA]A1; Placed on Rating Watch with Developing Implications
Long Term - Fund Based – Term Loan	40.00	40.00	[ICRA]A; Placed on Rating Watch with Developing Implications
Long Term – Unallocated Limits	40.08	40.08	[ICRA]A; Placed on Rating Watch with Developing Implications
Short Term - Non-Fund based	200.92	200.92	[ICRA]A1; Placed on Rating Watch with Developing Implications
Total	626.00	626.00	

*Instrument details are provided in Annexure-1

Rationale

On February 1, 2024, Gokaldas Exports Limited (GEL) announced execution of a share swap agreement with Matrix Clothing Private Limited (MCPL) to acquire 100% of the equity share capital of Matrix Design & Industries Private Limited (MDIPL) for a total enterprise value of Rs. 489 crore. Of the total enterprise value, Rs. 247.5 crore would be paid by preferential allotment of shares of GEL through share swap, Rs.155 crore would be paid towards settling the existing debt of MDIPL availed from MCPL and a cash consideration of Rs. 86.5 crore would be paid to MCPL.

While GEL has approached shareholders to approve raising of funds to the tune of Rs. 600 crore to part-fund this acquisition, ICRA has placed the ratings of GEL on Watch with Developing Implications as the exact funding mix for the acquisition is yet to be finalised. ICRA will resolve the rating Watch once further clarity emerges on the funding mix for the acquisition and the actual impact on the credit profile of GEL is ascertained. The transaction is also subject to various statutory and shareholder approvals. ICRA would continue to monitor the developments in this regard for their impact on the company's financial profile.

The proposed acquisition is expected to support growth and access to new customers in the EU and UK regions for GEL. It would also benefit from an increased penetration in the knit segment and diversification of its existing manufacturing base to Gurugram and Ranchi locations. ICRA has also noted the recently concluded acquisition of the Atraco Group through its wholly owned subsidiary.

Please refer to the following link for the previous detailed rationale that Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textiles - Apparels
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the company.

About the company

Initially promoted as a partnership firm by Mr. Jhamandas H. Hinduja in 1978 and incorporated as a public limited company in 2004, GEL is one of the largest apparel exporters from India. GEL operates from more than 20 manufacturing facilities, primarily in and around Bangalore, and is in the process of expanding its capacity, given the healthy demand conditions. The company caters to renowned brands in the markets of North America and Europe, serving their requirements across various product categories. Clear Wealth Consultancy Services LLP, led by Mr. Mathew Cyriac, acquired a 39.94% stake in the company from Blackstone FP Capital Partners (Mauritius) VB Subsidiary Ltd. in FY2018. Post the equity infusion in Q1 FY2019 and QIP in October 2021, the current shareholding of Clear Wealth Consultancy Services LLP stands reduced to ~11% as on December 31, 2023, and the remaining is held by institutional investors, corporate bodies, public and others.

Key financial indicators (audited)

GEL Consolidated	FY2022	FY2023	9M FY2024*
Operating income	1,811.4	2,228.9	1,566.5
PAT	117.1	173.0	86.7
OPBDIT/OI	11.3%	12.1%	10.8%
PAT/OI	6.5%	7.8%	5.5%
Total outside liabilities/Tangible net worth (times)	0.7	0.5	-
Total debt/OPBDIT (times)	0.9	0.6	-
Interest coverage (times)	5.1	10.5	10.1

Source: Company, ICRA Research; *Provisional; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current rating (FY2024)				Chronology of rating history for the past 3 years					
		Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	
					Feb 12, 2024	Sep 06, 2023	Mar 23, 2023	Dec 29, 2022	Dec 27, 2021	Oct 06, 2020	Apr 24,2020
1	Fund-Based Limits	Short Term	345.00	--	[ICRA]A1&	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A3+	[ICRA]A3+
2	Fund Based – Term Loan	Long Term	40.00	16.07	[ICRA]A &	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
3	Unallocated	Long Term	40.08	--	[ICRA]A &	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Positive)	-	-
4	Non-fund based limits	Short Term	200.92	--	[ICRA]A1&	[ICRA]A1	[ICRA]A1	-	-	-	-
5	Unallocated	Short Term	-	--	-	-	-	-	[ICRA]A2+	-	-

&: Rating Watch with Developing Implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Short Term – Fund Based	Very Simple
Long Term - Fund Based – Term Loan	Simple
Long Term – Unallocated Limits	Not applicable
Short Term - Non-Fund based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Short Term - Fund Based	NA	NA	NA	345.00	[ICRA]A1; Rating Watch with Developing Implications
NA	Long Term - Fund Based TL	FY2021	NA	FY2025	40.00	[ICRA]A; Rating Watch with Developing Implications
NA	Long Term – Unallocated	NA	NA	NA	40.08	[ICRA]A; Rating Watch with Developing Implications
NA	Short Term – Non-Fund Based	NA	NA	NA	200.92	[ICRA]A1; Rating Watch with Developing Implications

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
All Colour Garments Private Limited	100.00%	Full Consolidation
SNS Clothing Private Limited	100.00%	Full Consolidation
Vignesh Apparels Private Limited	100.00%	Full Consolidation
Gokaldasexports Acharpura Private Limited	100.00%	Full Consolidation
Sri Susamyuta Knits Private Limited	100.00%	Full Consolidation
Gokaldas Exports FZCO	100.00%	Full Consolidation
Nava Apparels, L.L.C FZ, Dubai, UAE	100.00%	Full Consolidation
Gokaldas Exports Corporation, USA	100.00%	Full Consolidation

Source: Company

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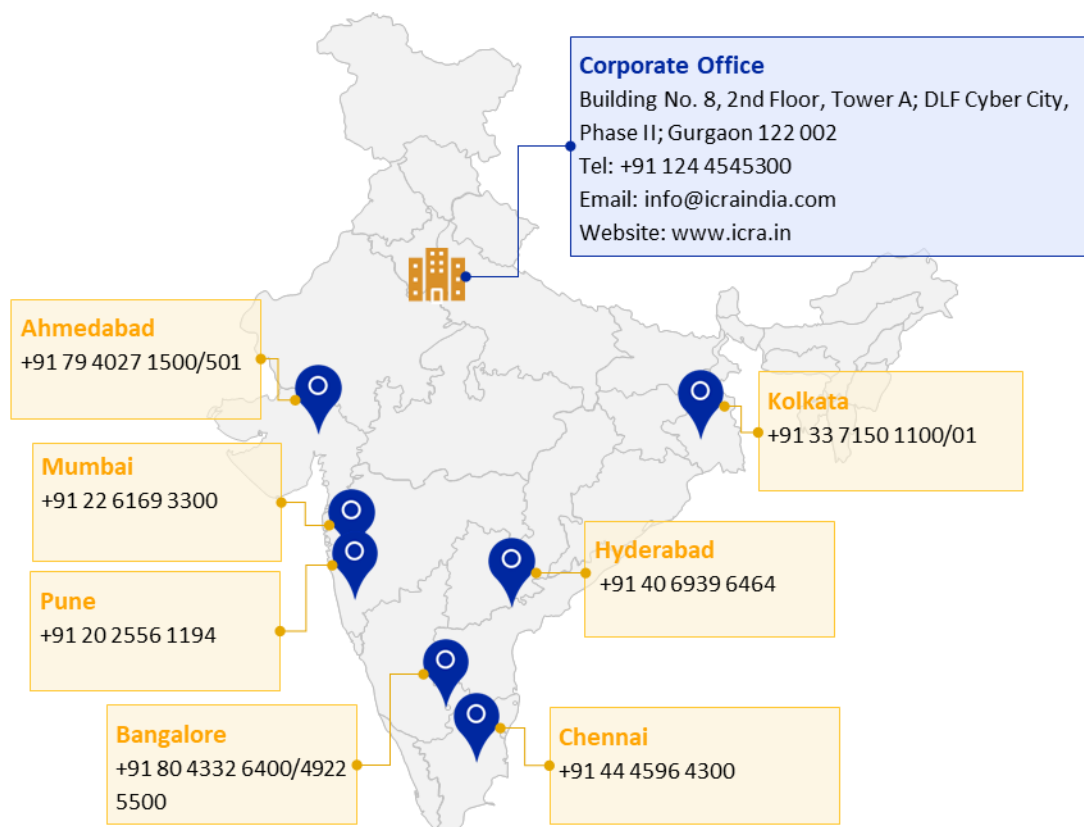


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