

January 03, 2025

## Gulabdas International Trading LLP: Rating reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term Fund-based limits	80.00	87.74	[ICRA]A3; reaffirmed/ assigned for enhanced amount
<b>Total</b>	<b>80.00</b>	<b>87.74</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating assigned to Gulabdas International Trading LLP (GITL) continues to derive comfort from the operational track record and the extensive experience of its promoters in the textile trading business. Aided by its established relationships with customers, the firm reported healthy sales volume growth in FY2024. However, the overall revenues remained range bound owing to a decline in realisations. The financial profile of the firm also remains moderate, with debt profile mainly comprising working capital limits and interest free unsecured loans from partners.

The rating, however, remains constrained by the intense competition prevailing in the textile processing business, which, coupled with the trading nature of operations, results in low profit margins and leads to modest internal accrual generation. The rating also factors in the firm's high client and geographical concentration towards African countries and vulnerability to geo-political risks associated with this region. Further, with almost the entire revenues coming in the form of exports, the firm remains exposed to adverse movements in foreign exchange rates. However, the Group hedges ~80% of such exposure, which mitigates this risk to some extent. ICRA also notes the capital withdrawals by the partners over the past years, nonetheless the overall leverage levels remain in line with the rating category.

### Key rating drivers and their description

#### Credit strengths

**Established operational track record of the firm and extensive experience of the promoters in the textile industry** – The entity has been operating in the textile processing space since 1961 and has been primarily catering to African markets. Its extensive experience has enabled GITL to establish strong relationships with its customers. The firm's operations are managed by Mr. Sanjay Bhagat and Mr. Prithvi Bhagat, who collectively have experience of more than two decades in the textile industry. Their extensive experience has enabled the firm to establish business relationships with new customers, resulting in steady sales growth and revenue visibility.

**Established relationships with customers and healthy growth in sales volume** – GITL exports fabrics to various African countries and the UAE. It has established presence in various African countries and has relations with agents/distributors in these countries, which get regular orders for the firms, as reflected in GITL's volumes growing by 16% in FY2024. The management expects the company's volume to grow further in FY2025 due to stable demand and new customers added in the African region.

**Moderate financial profile** – The debt profile of the firm largely includes working capital limits and interest-free unsecured loans from partners. In FY2024, the firm witnessed Rs. 18.6 crore of capital withdrawals. ICRA also notes the increase in interest free unsecured loans from the partners. Notwithstanding this, the overall leverage levels remain in line with the rating category with total outside liabilities vis-à-vis the tangible net worth of 2.0 times as on March 31, 2024. The debt coverage indicators also remain satisfactory with interest cover of 3.8 times.

### Credit challenges

**Thin profit margins given the trading nature of operations; revenues susceptible to foreign exchange fluctuations and cyclicity inherent in the textile industry** – The firm operates in the textile trading industry, which is very competitive due to the fragmented nature of the market and low entry barriers. Also, it continues to face competition from numerous unorganised and organised domestic players, as well as overseas competitors from Bangladesh, Pakistan, and China, among others. This, coupled with limited value addition in the operations, resulted in relatively lower operating profit margins. In FY2024, the firm’s margin declined to 4.8% from 6.3% in FY2023 due to fall in realisations. As GITL derives the major portion of its revenue from overseas markets, its margins are exposed to currency fluctuation. Nonetheless, GITL hedges around 80% of its exposure in the form of forward contracts, which mitigates this risk to some extent.

**High geographical and client concentration risks expose the firm’s business to geo-political risks** – The entity exports fabrics primarily to Senegal, The Gambia, Burkina Faso, Congo and the UAE as well. Consequently, it is exposed to the geopolitical risks prevailing in the region. Besides, the firm’s client concentration risk is also high with its top five customers contributing 60-65% to its total revenues in the last two years. Nonetheless, extensive experience of its promoters and established relationships with clients mitigate the risk to some extent.

**Exposed to risks inherent in partnership** – The firm is exposed to the risk of capital withdrawal by the partners, which could impact its capital structure. There were instances of capital withdrawals by the partners in the past, however, partners have been infusing funds via unsecured loans in the business. Going further, any significant withdrawal of capital by the partners may adversely impact the capital structure and the liquidity position of the firm and would be monitored.

### Liquidity position: Adequate

The liquidity profile of the firm is adequate supported by cash and liquid investments of ~Rs.6.04 crore as on September 30, 2024, and some buffer in its working capital lines, average utilisation of which stood at 89.5% for the 12 months ended October 2024. Further, the absence of any significant capital expenditure (capex) plans and modest debt service obligations support the firm’s liquidity position.

### Rating sensitivities

**Positive factors** – The rating could be upgraded if there is a sustained improvement in sales and earnings of the firm, resulting in strengthening of the debt protection metrics and liquidity profile.

**Negative factors** – The rating could be downgraded if there is any significant decline in sales and profitability along with weakening of the liquidity profile on a sustained basis. Any significant capital withdrawal impacting the credit profile could also lead to a rating downgrade.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable

Consolidation/Standalone	Standalone
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## About the company

Established in 2014 by Late Vinod Bhagat, GITL is a part of the Gulabdas Group, which exports designed and dyed fabrics to the African markets. The firm does not have its own manufacturing facility and procures greige cloth and outsources the processing work (mercerising, bleaching, dyeing, printing, embroidery, etc.) to job workers in Maharashtra and Gujarat.

### Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	533.9	578.0
PAT	15.6	14.0
OPBDIT/OI	6.3%	4.8%
PAT/OI	2.9%	2.4%
Total outside liabilities/Tangible net worth (times)	1.6	2.0
Total debt/OPBDIT (times)	1.8	3.1
Interest coverage (times)	3.8	3.8

Source: Company, ICRA Research; 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	Type	Current (FY2025)				Chronology of rating history for the past 3 years					
		Amount Rated (Rs Crore)	January 03, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
FDB/FBE/BRD	Short term	87.74	[ICRA]A3	-	-	27-Nov-23	[ICRA]A3	29-Dec-22	[ICRA]A4+	06-Sept-21	[ICRA]A4+

\* Long term Upgraded and short term reaffirmed, and withdrawn

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Short-term fund-based-FDB/FBE/BRD	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 analysing 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 are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	FDB/FBE/BRD	NA	NA	NA	87.74	[ICRA]A3

Source: Gulabdas International Trading LLP

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

**Annexure II: List of entities considered for consolidated analysis- Not applicable**

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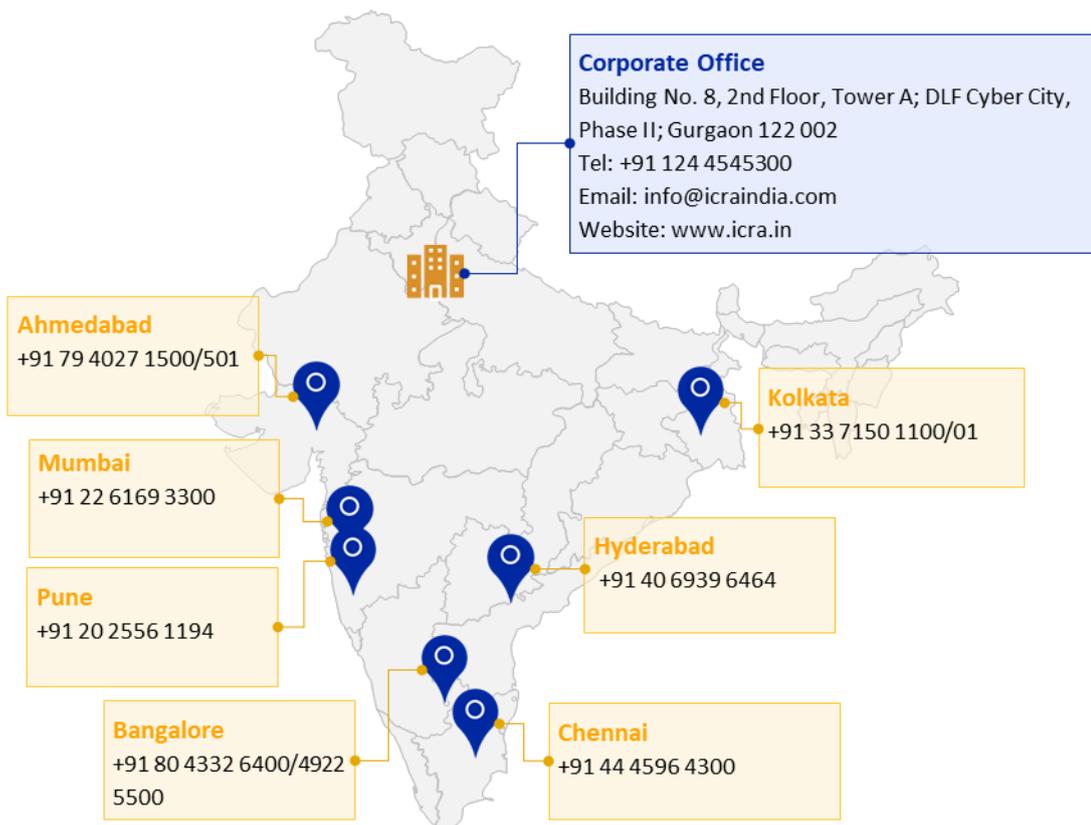
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