

July 11, 2017

G.M. Syntex Private Limited

Summary of rated instruments

Instrument [^]	Amount (Rs. Crore)	Rating Action*
Fund Based Limits	47.00	[ICRA]BBB (Stable); Downgraded from [ICRA]BBB+
Non Fund Based Sub-limits	(13.00)	[ICRA]A3+; Downgraded from [ICRA]A2
Fund Based Limits	25.00	[ICRA]BBB (Stable)/[ICRA]A3+ Downgraded from [ICRA]BBB+/[ICRA]A2
Total	72.00	

* Issuer did not cooperate; based on best available information

[^]Instrument details are provided in Annexure-1

Rating action

ICRA has downgraded the long term rating to [ICRA]BBB (pronounced ICRA triple B) from [ICRA]BBB+ (pronounced ICRA triple B plus) and the short term rating to [ICRA]A3+ (pronounced ICRA A three plus) from [ICRA]A2 (pronounced ICRA A two) for the fund based and non-fund based facilities aggregating to Rs.72.00 crore of G.M. Syntex Private Limited (GMSPL). The outlook on the long term rating is 'Stable'.

Rationale

The rating action is based on the best available information. As part of its process and in accordance with its rating agreement with GMSPL, ICRA has been trying to seek information from the company so as to undertake a surveillance of the ratings, and had also sent repeated reminders to the company for payment of surveillance fee that became overdue, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information, ICRA's Rating Committee has taken a rating view based on best available information. In line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, the company's ratings is now denoted as: "[ICRA]BBB (Stable) ISSUER NOT COOPERATING" and "[ICRA]A3+ ISSUER NOT COOPERATING". The lenders, investors and other market participants may exercise appropriate caution while using this rating, given that it is based on limited information on the company's performance since the time it was last rated.

Key rating drivers

Credit Strengths

- Long experience of promoters in the home textile business
- Moderate recognition of company's brand 'Pure' in the domestic and International markets
- Well integrated operations across the textile value chain i.e. from yarn processing to supply of finished fabric
- Established client relationships spanning several years

Credit weaknesses

- Muted growth in operating income in FY2016
- Weakening of profit metrics and return indicators in FY2016, though it remained healthy

- Revenues susceptible to fluctuations in foreign currency rates
- Risks associated with global textile demand conditions and volatility in raw material prices
- Intense competition from well-established domestic & international players in the branded segment particularly in curtain fabrics

Description of key rating drivers:

GMSPL specialize in the manufacturing of curtain fabrics primarily catering to the premium segment.. The company's operation is fully backward integrated from processing of yarn to the finishing stage of curtain fabrics strengthening its sourcing capabilities and facilitating the supply of high value added fabrics. The product is promoted under the brand name 'PURE' and 'G.M.SYNTEx'. The brands enjoy moderate recognition in local as well as international market.

The premium segment of the Indian home furnishing industry is ruled by well organized players. Large Indian players and foreign companies are operating in the premium and super-premium furnishing categories. High quality raw materials, embellishments, design developments and a well established brand name are the key differentiating factors for the players

In FY2016 the company operating income has witnessed a decline of ~3% to Rs.301.07 crore from Rs.309.40 crore in FY2015. Furthermore, in FY2016 the company's operating margin declined to 15.60% from 18.07% operating margin in FY2015 owing to increase in raw material consumption cost. This has also translated in decline in net profit margin to 4.90% in FY2016 from 6.78% in FY2015.

Despite decline in profit metrics in FY2016, the company continued to maintain a satisfactory operating margin due to high value additive nature of business resulting from fully backward integrated operation from dyeing of yarn to finishing stage of curtain fabrics.

In FY2016, moderation in operating profit has led to decline in return indicators as depicted by ROCE of 14.58% from ROCE of 23.05% in FY2015. In FY2016, weakening of operating profitability has led to deterioration in coverage indicators as depicted by OPBDITA/ Interest & Finance charges of 6.92X from 9.20X in FY15, though it continues to remain healthy.

Analytical approach:

For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Rating Methodology for Indian Textiles Industry– Fabric](#)

About the company:

Promoted by Mr. Gurbakshish Singh, G.M Syntex Private Limited (GMSPL) was incorporated in 1999 and is engaged in the manufacture of curtain fabrics primarily catering to the premium segment of the market. The company has its registered office in Andheri, Mumbai and manufacturing facility is set up at Tarapur in Maharashtra. The plant has an installed capacity of manufacturing 108 lakh meters per annum for curtain fabrics. The plant is well equipped with dedicated production lines and testing facilities.

Key Financial Indicators*

Particulars	FY15	FY16*
Operating income (Crores)	309.40	301.07
PAT (Crores)	20.98	14.76
OPBDIT/ OI (%)	18.07%	15.60%
RoCE (%)	23.05%	14.58%
Total Debt/ TNW (times)	0.75	0.76
Total Debt/ OPBDIT (times)	1.49	2.06
Interest coverage (times)	9.20	6.92
NWC/ OI (%)	21%	26%

*Extracted from the Minister of Corporate Affairs – Government of India

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.	Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. Crore)	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				July 2017	-	Jan 2016	Feb 2015
1	Term Loan	LT	47.00	[ICRA]BBB (Stable)	No Rating Change	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)
2	Cash Credit	LT/ST	25.00	[ICRA]BBB (Stable)/ [ICRA]A3+	No Rating Change	[ICRA]BBB+(Stable) [ICRA]A2	[ICRA]BBB (Stable)/ [ICRA]A3+
3	PC/PCFC/PS/FOBP/FOUP						
4	Capex LC Sublimit of Term Loan	ST	(8.00)	[ICRA]A3+	No Rating Change	[ICRA]A2	[ICRA]A3+
5.	Letter of Credit (Sublimits of pre & post shipment credit)	ST	(5.00)	[ICRA]A3+	No Rating Change	[ICRA]A2	[ICRA]A3+
5	Bank Guarantee						

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Instrument	Date of Issuance/Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating* and Outlook
Term Loans	-	-	-	47.00	[ICRA]BBB (Stable)
Cash Credit	-	-	-	25.00	[ICRA]BBB (Stable)/[ICRA]A3+
PC/PCFC,PS/FOBP/FOUB P	-	-	-		
Capex-Letter of Credit-Term loan		-	-	(8.00)	[ICRA]A3+
Letter of Credit (Sublimit of pre & post Shipment credit)	-	-	-	(5.00)	[ICRA]A3+
Bank Guarantee (Sublimit of pre & post Shipment credit)	-	-	-		
Total				72.00	

Source: GMSPL

* Issuer did not cooperate; based on best available information

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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