August 24, 2017

Gini Silk Mills Limited

Summary of Rated Instruments

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Fund-Based Limits	11.04	Outlook revised from Negative to Stable; [ICRA]BB+ (Stable) withdrawn
Non-Fund Based Limits	0.35	[ICRA]A4+ withdrawn
Total	**11.39**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has revised the outlook on the long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) from 'Negative' to 'Stable'. It has simultaneously withdrawn the ratings of [ICRA]BB+ and [ICRA]A4+ (pronounced ICRA A four plus) assigned to the Rs. 11.39 crore fund-based and non-fund based limits of Gini Silk Mills Limited (GSML).

Rationale

The revision in outlook takes into account the commencement of GSML's manufacturing unit in Tarapur (Maharashtra) in March 2017, which was closed down in December 2016 because of a notice issued by the Maharashtra Pollution Control Board for non-performance of Common Effluent Treatment Plan (CETP) norms. The ratings continue to factor in the extensive experience of the management in the textile industry and financial profile characterised by favourable capital structure, moderate profitability and debt coverage metrics.

ICRA has also withdrawn the [ICRA]BB+(Stable)/[ICRA]A4+ ratings in accordance with ICRA's policy on withdrawal and suspension.

Key rating drivers
Credit strengths

- **Long experience of the management in the textile industry -** Gini Silk Mills Ltd. (GSML) was incorporated as a public limited company in the year 1981 by Mr. Deepak Harlalka and Mr. Vishwanath Harlalka. The chief promoter of the group - Mr. Vishwanath Harlalka, has an experience of around four decades in the textile industry.

- **Financial profile characterised by favourable capital structure, moderate profitability and debt coverage metrics –** The company's capital structure continues to remain comfortable as reflected from a gearing of 0.41 times as on 31st March 2017. Despite a decline in profitability, the margins continue to remain modest. The interest coverage ratio continues to remain modest as reflected from OPBDITA/Interest of 2.34 times in FY2017.

Credit weaknesses

- **Modest scale of operations -** GSML's operating income has remained modest and reported muted growth in revenues in FY 2016 to Rs. 40.75 crore against Rs. 40.13 crore in FY2015. Thereafter, the operating income declined marginally to Rs. 39.12 crore. The operations of the company were affected due to closure of manufacturing operations during the period December 2016 to Febryary 2017.

- **Vulnerability of profitability and cash flows to fluctuations in prices of consumables -** For direct sales order, the company purchases fabric from the market, processes it and sells in the domestic market. While, the margins in job-work orders are immune to fluctuations in greige fabric prices, the profitability in direct sales order is susceptible to fluctuations in raw material prices. Although, the purchase of greige fabric is mainly against confirmed sales order received from the customers, the company has to maintain inventory of about 40 days of consumables like fuels and dyes.

- **Highly fragmented business characterised by intense competition from a large number of players -** The fabric processing segment is dominated by numerous independent, small-scale enterprises. High degree of fragmentation due to large number of unorganized players has led to high competitive intensity in the processing segment thereby, limiting the pricing power of the company and affecting the margins. In addition, with the direct linkage to the textile industry, the company's operations are exposed to the cyclicality in the textile industry.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.
Links to applicable criteria:

Corporate Credit Rating – A Note on Methodology
ICRA's Policy on Withdrawal and Suspension of Credit Rating

About the company:
Gini Silk Mills Limited (GSML), part of the Gini Group, was incorporated in 1981 by Mr. Deepak Harlalka and Mr. Vishwanath Harlalka. GSML is a publicly listed company and undertakes fabric processing such as bleaching, dyeing, printing and finishing of fabric (100% cotton, polyester, nylon, acrylic, viscose rayon, linen and blended fabrics). The company's manufacturing facility is at Tarapur (Maharashtra), with a production capacity of 50,000 metres/day.

Gini Tex Pvt. Ltd. is a group company, who manufactures textiles. The Gini Group is also engaged in construction through the group concerns, Gini Construction Co., Gini Construction Pvt. Ltd. and Gini Citicorp Reality LLP.

Key Financial Indicators (Audited)

	FY2016	FY2017
Operating income (Rs. crore)	40.75	39.12
PAT / Concern share (Rs. crore)	1.80	2.42
OPBDIT/ OI (%)	10.28%	8.62%
RoCE (%)	14.28%	11.68%
Total Debt/ TNW (times)	0.38	0.41
Total Debt/ OPBDIT (times)	2.67	3.88
Interest coverage (times)	2.84	2.34
NWC/ OI (%)	0.28	0.36

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

Table:

S.No	Name of Instrument	Current Rating (2017)		Chronology of Rating History for the past 3 years			
		Type	Amount outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				August 2017	February 2017	March 2016	October 2014
1	Term Loan	Long-term	9.04	[ICRA]BB+ (Stable); withdrawn	[ICRA]BB+ (Negative)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
2	Cash Credit	Long-term	2.00	[ICRA]BB+ (Stable); withdrawn	[ICRA]BB+ (Negative)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
3	Bank Guarantee	Short-term	0.10	[ICRA]A4+; withdrawn	[ICRA]A4+	[ICRA]A3	[ICRA]A3
4	Letter of Credit	Short-term	0.25	[ICRA]A4+; withdrawn	[ICRA]A4+	[ICRA]A3	[ICRA]A3

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

Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. crore)	Current Rating and Outlook
Term Loan	2014	13%	March 2021	9.04	[ICRA]BB+ (Stable); withdrawn
Cash Credit	-	-	-	2.00	[ICRA]BB+ (Stable); withdrawn
Bank Guarantee	-	-	-	0.10	[ICRA]A4+; withdrawn
Letter of Credit	-	-	-	0.25	[ICRA]A4+; withdrawn

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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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