

GLS Films Industries Private Limited

September 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	80.25	CARE BB; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category
Long Term/ Short Term Bank Facilities	127.75	CARE BB; Stable/ CARE A4 ISSUER NOT COOPERATING*	Revised from CARE BB+; Stable/ CARE A4+ and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	32.00	CARE A4; ISSUER NOT COOPERATING*	Revised from CARE A4+ and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from GLS Films Industries Private Limited to monitor the ratings vide email communications/letters dated August 27, 2024, August 05, 2024, and July 31, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which, however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on GLSFIPL's bank facilities will now be denoted as CARE BB; Stable/ CARE A4 ISSUER NOT COOPERATING. The ratings have been revised on account of non-availability of requisite information due to non-cooperation by GLSFIPL. CARE views information availability risk as a key factor in its assessment of credit risk.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Analytical approach: Standalone, however factoring linkages with GLS Polyfilms Private Limited where the company has provided Corporate Guarantee to the bankers of GLS Polyfilms Private Limited.

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating on August 04, 2023 the following were the rating strengths and weaknesses:

Key weaknesses

Significant exposure towards group companies

GLSFIPL has extended support to its group entities in the form of corporate guarantee for long term bank facility of; GLS Polyfilms Pvt Ltd (GLSPPL), GLS Foils Products Pvt Ltd, and GLS Logistics Pvt Ltd. GLSPPL and GLS Foils both are green field projects recently commissioned in FY23 to setup manufacturing unit of BOPET, metallised films and aluminium foils. Further, there has been significant deviation in overall operational risk profile of GLSPPL during FY23 as PBILDT margin was achieved at ~5% as against projected of ~22%.

The corporate guarantee amounting to Rs 566.44 crores as on March 31, 2022 is unconditional and irrevocable in nature and shall be enforced against the Guarantor for the entire tenor of the credit facility. Considering the group exposure in debt, the adjusted overall gearing stands at 7.06x as on March 31, 2023. During FY23, GLSFIPL and GLSPPL reported lower than envisaged total operating income, profitability and case accruals resulting in weakening of debt coverage indicators and sustenance of high adjusted overall gearing. Going forward, any further increase in exposure towards group companies in the form of equity/loans and advances or CG resulting in further deterioration in adjusted overall gearing shall remain crucial from credit perspective.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Leveraged capital structure

The capital structure of the company remains leveraged marked by total debt of Rs 228.15 Crores as on March 31, 2023 majorly comprising of working capital of Rs. 78.56 crore and term loan of Rs. 84.81 crore. The overall gearing, though improved from 2.15x as on March 31, 2022 to 2.03x as on March 31, 2023 on account of accretion of profits, however the adjusted overall gearing remained high at 7.06x. Going forward, any higher than envisaged increase in debt levels resulting in deterioration in overall gearing shall remain negative from credit perspective.

Susceptibility to volatility in raw material cost which is linked to crude oil prices and to demand-supply dynamics

The prices of the key raw materials viz. BOPP resins and additives (polypropylene) are fluctuating in nature as these are dependent on crude oil prices which themselves are highly volatile in nature. With raw material accounting for nearly 88% to 90% of the total cost of sales, the volatility in the raw material prices may impact margins as the company. The company may face issues in passing on the impact of such increased raw material prices to the consumer given the highly competitive and commoditised nature of the industry. Further, the limited suppliers of these raw materials make it a sellers' market with limited bargaining power for buyers. Accordingly, profitability of packaging material producers is highly susceptible to raw material fluctuations. While increase in input prices are passed on periodically, sudden increase may adversely impact the margins.

Key Strengths

Diversified flexible packaging product profile with reputed clients in various sectors.

GLSFIPL offers products which find applications in wide range of products like printed/unprinted laminated rolls, pouches, window metalized films, laminated tubes for food & beverage, FMCG, Industrial and Agro Products including snack foods, edible oils, pan masala, etc.

GLSFIPL's has reputed clients which includes names like ITC Ltd, Prataap Snacks Ltd, Pepsico India Holdings Pvt Ltd, Tata Global Beverages Ltd, Haldiram Manufacturing Co. Pvt Ltd and Tata Consumer Products Ltd among others. Further, GLSFIPL has a long-standing relationship with most of its customers spanning more than 10 years. The customer profile of the company is also moderately diversified as the top-5 customers accounted for 37% of total income during FY23 (PY: 31%) with none of the customers contributing more than 10%.

Growing scale of operations

During FY23, GLSFIPL recorded TOI of Rs. 794.38 crore increased from Rs. 739.65 crore; exhibiting y-o-y growth rate of 7.39% on account of increase in volumes and capacity. During FY23, the company achieved a capacity utilisation ~50% on a higher base of 78,800 MT as against 50,900 MT in FY22.

The profitability of the company has also seen improvement mainly due to stabilisation of raw material prices. PBILDT margin of the company stood at 4.61% during FY23 as against projected of around 6%.

Experienced promoter in flexible packaging industry

Promoters have more than 28 years of experience in flexible packaging industry. Professional management with defined roles and responsibilities. Promoter have established contacts for marketing and selling of flexible packaging products

Liquidity: Stretched

The liquidity of the company is marked by tightly matched cash accruals of around Rs. 62 crores of the group against combined repayment obligations of ~Rs. 55.67 crores. The capex requirements of the company are modular and will be met by internal accruals. The operations are working capital intensive characterised by an operating cycle of 50 days. The working capital needs are mainly met by sanctioned bank limits which remains utilised for almost 95%.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Chemicals	Chemicals & Petrochemicals	Commodity Chemicals

GLS Films Industries Private Limited (GLSFIPL), a GLS Group company based in Gurugram and Faridabad having almost 3 decades of experience in manufacturing of flexible packaging materials like printed/unprinted laminated rolls, pouches, window metalized films, laminated tubes for food& beverage, FMCG, Industrial and Agro Products. Mr. Rajesh Goyal, Group Chairman have more than 27 years of experience in manufacturing of different flexible packing solutions. Their manufacturing set-up at Gurgaon has Rotogravure printing capabilities up to 9 colours and lamination capabilities to produce solvent based adhesive lamination, solvent free adhesive lamination and extraction lamination. The finishing operations is well equipped with technologies i.e. Shrink sleeves of PVC and PET in cut and roll form, UV cured coatings, water-based heat seal coatings, hot melt coated soap wrappers and regular formats of preformed pouches.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	741.31	794.38
PBILDT	32.38	36.60
PAT	7.13	10.63
Overall gearing (times)	1.95	2.03
Interest coverage (times)	2.30	2.19

A: Audited Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Brickwork has placed the rating assigned to the bank facilities of GLS Films Industries Private Limited into Issuer Not Cooperating category vide their press release dated September 19, 2023, on account of their inability to carry out a review in the absence of requisite information.

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	31/06/2028	80.25	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	58.00	CARE BB; Stable/ CARE A4; ISSUER NOT COOPERATING*
Fund-based - ST-Working Capital Limits		-	-	-	32.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-BG/LC		-	-	-	69.75	CARE BB; Stable/ CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	80.25	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (04-Aug-23)	1)CARE BBB-; Negative (18-May-22)	-
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	58.00	CARE BB; Stable/ CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (04-Aug-23)	1)CARE BBB-; Negative / CARE A3 (18-May-22)	-
3	Fund-based - ST-Working Capital Limits	ST	32.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+ (04-Aug-23)	1)CARE A3 (18-May-22)	-
4	Non-fund-based - LT/ ST-BG/LC	LT/ST	69.75	CARE BB; Stable/ CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (04-Aug-23)	1)CARE BBB-; Negative / CARE A3 (18-May-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

*Issuer did not cooperate; based on best available information.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
3	Fund-based - ST-Working Capital Limits	Simple
4	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Contact us

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About us:

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