

G.G. Fashions

September 27, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	12.58	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short-term bank facilities	0.09	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	12.67 (₹ Twelve Crore and Sixty-Seven Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from G.G. Fashions (GGF) to monitor the ratings vide e-mail communications/letters dated June 29, 2022, July 22, 2022, July 26, 2022, August 8, 2022, September 12, 2022 among others and numerous phone calls. However, despite our repeated requests, the firm 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 from G.G. Fashions bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING*/CARE A4; ISSUER NOT COOPERATING***.

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

Detailed description of the key rating drivers

At the time of last rating on September 03, 2021 the following were the rating strengths and weaknesses.

Key rating weaknesses

Small scale of operations

Although the firm is operating since 2001, the scale of operations remained small marked by total operating income at Rs. 31.88 crore in FY21 (Prov.) (PY: Rs. 33.08 crore) coupled with low networth base of Rs. 8.82 crore as on March 31, 2021 (Prov.). During FY21(Prov.), the firm's total operating income has dropped marginally by 4% on account of COVID lockdown for around 2 months in Q1FY21.

Moderate capital structure and weak debt protection metrics

The capital structure of the firm stood moderate with overall gearing of 2.10x as on March 31, 2021 as against 2.02x as on March 31, 2020. Due to low accruals in the past, the debt protection metrics remained weak marked by Total debt/GCA of 23.95x as on March 31, 2021 which deteriorated from 14.04x in FY20 due availment of covid loans and working capital term loan.

Constitution of the entity as proprietorship with inherent risk of withdrawal of capital

Proprietorship nature of business has an inherent risk of withdrawal of capital by the proprietor at the time of their personal contingencies resulting in reduction of capital base leading to adverse effect on capital structure. The proprietor has withdrawn the capital to the extent of Rs.0.31 crore as on March 31, 2021 for personal contingencies.

Profit margin exposed to volatility in raw material prices

During the past years, the market has seen volatility in cotton yarn production due to the unstable cotton prices and inconsistent cotton yarn export policy. The profitability of the entity depends largely on the prices of the raw material cotton yarn which are governed by various factors such as prices of cotton fibre, international demand-supply situation, etc. The prices of 40x combed yarn had increased significantly post release of covid lockdown from Rs.215 per kg in September 2020 to Rs.253 per kg in June 2021 thereby impacting the margins of the firm. The PBILDT margin of GGF had declined from 9.87% in FY20 to 8.66% in FY21 due to increased yarn prices.

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

*Issuer did not cooperate; based on best available information

Key rating strengths

Experience of the promoter in the textile industry and established track record of operations

Mr. G. Kannan has more than two decades of experience in fabric manufacturing and with the experience derived from the industry he enjoys a good relationship with his suppliers and customers. GGF also has long track record of around two decades of operations.

Analytical approach: Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

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

[Manufacturing Companies](#)

[Cotton Textile](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

About the firm

G.G. Fashions (GGF) was established in 2001 as a proprietorship concern by Mr. G. Kannan at Salem, Tamil Nadu. The firm is engaged in manufacturing of grey fabrics and supplies them to the garment manufacturers. Apart from manufacturing in its own facilities, the firm also outsources, for processing of fabrics viz dyeing, bleaching, warping, sizing etc. as on June 30, 2021, the firm has installed capacity of producing 22 Lakhs mts of fabrics per annum.

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)	March 31, 2022 (P)	Q1FY23 (P)
Total operating income	33.08	31.93	NA	NA
PBILDT	3.12	3.24	NA	NA
PAT	0.66	0.87	NA	NA
Overall gearing (times)	2.02	2.24	NA	NA
Interest coverage (times)	1.64	1.77	NA	NA

A: Audited; P: Provisional; NA: Not Available

Status of non-cooperation with previous CRA: ACUITE Ratings has reviewed the ratings of 'G.G. Fashions' and classified into 'issuer not cooperating' category vide PR dated February 18, 2022.

Any other information: Not Applicable

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

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

Complexity level of various instruments rated for this firm: Annexure-4

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-Cash Credit		-	-	-	8.00	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working capital Term Loan		-	-	August 2025	4.58	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	0.09	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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	8.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (03-Sep-21)	1)CARE B+; Stable (29-Jul-20)	-

2	Fund-based - LT-Working capital Term Loan	LT	4.58	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (03-Sep-21)	1)CARE B+; Stable (29-Jul-20)	-
3	Non-fund-based - ST-Bank Guarantee	ST	0.09	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (03-Sep-21)	1)CARE A4 (29-Jul-20)	-

*Issuer did not cooperate; based on best available information
LT-Long term/ST-Short term.

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

Annexure-4: Complexity level of various instruments rated for this firm

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Working capital Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Bank lender details for this firm

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

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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