



GARMENT MANTRA LIFESTYLE LIMITED

(Formerly Known as Junction Fabrics and Apparels Limited)
(CIN: L18101TZ2011PLC017586)

Date: September 08, 2021

To

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001

Dear Sir,

Subject : Intimation of upgrade in **Credit Rating and Outlook from CRISIL BB/Stable to CRISIL BB+/Positive** under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("SEBI Listing Regulations") by Garment Mantra Lifestyle Limited ("Company")

Scrip Code : 539216

With reference to the captioned subject and pursuant to regulation 30 of SEBI (LODR) Regulations, 2015, we enclose herewith rating rationale dated September 02, 2021, as received from CRISIL Limited on September 6, 2021, the Rating Agency, in respect of credit rating assigned to bank facilities of the Company. We request you to take the above on record and the same be treated as compliance under the provisions of the SEBI Listing Regulations and any other provisions as applicable in this regard.

We hereby request you to take this on record and acknowledge us the same.

Thanking you,
Yours faithfully,

For Garment Mantra Lifestyle Limited

Prem Aggarwal
Managing Director
DIN No: 02050297

Registered & Admin Office: No.15, Murthy's Plaza, Karia Gounder Street, Khaderpet, Tirupur - 641 601.

Factory: Shed No.40, Nethaji Apparel Park, Eettiveerampalayam, New Tirupur - 641 666.

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Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

September 02, 2021 | Mumbai

Garment Mantra Lifestyle Limited

Rating upgraded to 'CRISIL BB+/Positive'

Rating Action

Total Bank Loan Facilities Rated	Rs.16.32 Crore
Long Term Rating	CRISIL BB+/Positive (Upgraded from 'CRISIL BB/Stable')

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded the rating on the long term bank facilities of Garment Mantra Lifestyle Limited (GMLL; part of Garment Mantra group) to 'CRISIL BB+/Positive' from 'CRISIL BB/Stable'.

The upgrade factors in expectation of steady improvement in operating performance over the medium term. The group's revenues has been increasing in the past four fiscals, ending fiscal 2021, on account of their value offerings across their retail channels and steady demand from its domestic customers. Even in fiscal 2021, the group was supported by strong growth in sales post relaxation in national wide lockdown. The revenues rebounded since September 2021 and this is likely to continue even in this fiscal, resulting in revenue growth of 10-15 percent. Further the group benefits from the synergies derived from its acquisition of Jannat Fabrics and Apparels Pvt Ltd and Twenty Twenty Trading LLP in fiscal 2021. This is likely to provide greater integration across the apparel value chain and should result in improved efficiencies over the medium term. The profitability has improved to 9.1% in fiscal 2021 (from 5.7% in previous fiscal) and this is likely to remain at similar levels over the medium term. As a result, cash accruals will remain strong and support incremental working capital requirement.

The rating reflects the extensive experience of GMLL's promoters in the domestic ready-made garments (RMG) segment and the group's comfortable financial risk profile. These strengths are partially offset by the moderate scale of operations amidst intense competition, and the high working capital requirement.

Analytical Approach

For arriving at its ratings, CRISIL Ratings has combined the business and financial risk profiles of GMLL and its majority-owned subsidiary, Jannat Fabrics and Apparels Pvt Ltd (JFAPL). This is because the company, collectively referred to as the Garment Mantra group, operate in the same line of business and have significant financial linkages and are majorly owned by GMLL.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Extensive experience of the promoters in the domestic RMG segment: The decade-long presence of the promoters in the ready-made garments segment, has enabled them to understand the market dynamics and establish healthy relationships with customers, who are primarily wholesalers and retailers. This has also helped them to scale up operations reflected in revenue of Rs.167 crore for fiscal 2021.

Comfortable financial risk profile: Gearing and network was moderate at 1.27 times and Rs.30.25 crore as on March 31, 2021 respectively. The debt protection metrics were comfortable with the interest coverage ratio and net cash accrual to total debt (NCATD) at 4.87 times and 0.23 times respectively for fiscal 2021.

Weaknesses:

Moderate scale of operations amidst intense competition: Intense competition and lower capacities in the textile industry may continue to keep the scale of operations subdued, as reflected in revenue of Rs 167 crore in fiscal 2021. Textile industry is marked by the presence of both organised and unorganised players resulting in intense competition.

High working capital-intensive operations: Gross current assets is at 193 days as on March 31, 2021, on account of high inventory and receivables. Inventory is at 119 days while receivables was at 71 days as on March 31, 2021.

Liquidity: Adequate

Liquidity should remain adequate. The group is likely to generate accruals of Rs.6.5-Rs.7.5 crore in the near term which will be adequate to meet the repayment obligation of Rs.1.8 crore. The group has access to fund based limit of Rs.22.35 crore which was utilised at an average of 85-90 percent in the last 12 months ended July 2021.

Outlook: Positive

CRISIL Ratings believes GMLL will further improve its business profile.

Rating Sensitivity factors**Upward factor**

- * Sustained improvement in scale of operation or profitability leading to accruals of over Rs.7.5 crore
- * Sustained improvement in financial risk profile

Downward factor

- * Decline in revenue or profitability leading to lower than expected accruals
- * Stretch in working capital requirements leading to GCA of over 250 days leading to deterioration in financial risk profile especially liquidity

About the Group

GMLL was set up in 2011, by the promoter, Mr Prem Dhinanath Aggarwal and his family. The Tiruppur-based company manufactures T-shirts under the *Hylex* and *Monk* brands.

JFAPL was incorporated in 2013, promoted by Mr Prem Dhinanath Aggarwal and his family members. The Tirupur, Tamil Nadu-based company manufactures T-shirts, which it sells under the brands Helicon and Monk

Key Financial Indicators

As on/for the period ended March 31	Unit	2020	2019
Operating income	Rs.Crore	93.55	84.09
Reported profit after tax	Rs.Crore	2.56	1.04
PAT margins	%	2.74	1.24
Adjusted Debt/Adjusted Networkth	Times	0.97	2.56
Interest coverage	Times	3.09	2.18

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Cr)	Complexity Level	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	12.55	NA	CRISIL BB+/Positive
NA	Term Loan	NA	NA	Mar-2024	3.77	NA	CRISIL BB+/Positive

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Jannat Fabrics And Apparels Private Limited	Full	Subsidiary
Garment Mantra Lifestyle Limited	Full	Parent

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2021 (History)		2020		2019		2018		Start of 2018
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	16.32	CRISIL BB+/Positive		--	13-08-20	CRISIL BB/Stable	20-12-19	CRISIL BB /Stable(Issuer Not Cooperating)*	25-07-18	CRISIL BB/Stable	CRISIL BB-/Stable
			--		--		--	03-01-19	CRISIL BB/Stable	14-05-18	CRISIL BB-/Stable(Issuer Not Cooperating)*	--

All amounts are in Rs.Cr.

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

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Cash Credit	12.55	CRISIL BB+/Positive
Term Loan	3.77	CRISIL BB+/Positive

Criteria Details

Links to related criteria
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition

[CRISILs Bank Loan Ratings](#)

[CRISILs Approach to Financial Ratios](#)

[Rating Criteria for Cotton Textile Industry](#)

[Understanding CRISILs Ratings and Rating Scales](#)

[CRISILs Criteria for Consolidation](#)

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