

## Press Release

**General Polytex Private Limited**

October 04, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 63.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A3

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of **"ACUITE BBB-"** (**read as ACUITE triple B minus**) and short term rating of **'ACUITE A3'** (**read as ACUITE A three**) to the Rs. 63.00 crore bank facilities of General Polytex Private Limited (GPPL). The outlook is **'Stable'**.

GPPL established in 2004 is headquartered at Surat (Gujarat). The company is engaged in offering a wide range of textured yarns of polyester filaments and Grey fabrics. The manufacturing unit is located at Surat with installed capacity of 300 looms and 68 twisting machines.

### Analytical Approach

Acuité has consolidated the operating and financial risk profile of General Petrochemicals Limited (GPL) and General Polytex Private Limited (GPPL) for arriving at the rating. General Polytex Private Limited (GPPL) and General Petrochemicals Limited are together referred as "General Group". The consolidated approach is taken on basis of common management, same product line of manufacturing, common sales & distribution network and other financial synergies.

### Key Rating Drivers:

#### Strengths

- **Experienced management and established track record**

The group is promoted by Mr. Mohmed Umar General and his three sons, Mr. Mohmed Amin General, Mr. Mohmed Juned General and Mr. Mohmed Zaid General. The group has presence since 1995 and has more than two decade of established track record in textile industry. The company has longstanding relationships with its customers and suppliers for over two decades. This has helped company in getting recurring orders from its customers and regular flow of raw materials at better price from its suppliers.

- **Proximity to raw material and geographically well diversified**

The manufacturing facilities of general group are located at Surat, a textile hub of India which ensures regular supply of raw materials and easy reach to customers. General Group has pan India presence and caters to major region such as Maharashtra, Gujarat, Delhi and Bengaluru with longstanding relationships with customers and suppliers. The company enjoys easy connectivity to road & rail leading to better lead-time and facilitates delivery of finished products in a timely manner. Presence in the textile manufacturing region results in benefits derived from easy availability of raw material at better price, weaving of grey fabrics at cheaper cost and lower logistic expenditure.

- **Diversified customer base and healthy order book position**

The General group caters to around 200 clients in domestic market with top ten customers contributing to less than ~50.00 percent of the total revenue for FY2018 (Provisional) and FY2017. This also mitigates customer concentration risk to certain extent. The company also has healthy orders of Rs.31.16 crore to be executed in upcoming two to three months which provides revenue visibility over medium term.

## Weaknesses

- **Working capital intensive nature of operations**

General group operations are highly working capital intensive marked by high Gross Current Assets (GCA) of about 196 days in FY2018 (Provisional) and 167 days in FY2017. The textile industry is marked by high inventory holding and debtor days. The inventory days stood at 87 days for FY2018 (Provisional) and 67 days for FY2017. The debtors days also stood high at 115 days for FY2018 (Provisional) and 101 days for FY2017. The working capital cycle is slightly stretched as the season begins from October to March and major execution of orders happens in March, so working capital days are high at year end. The company sells its products to traders, dealers and exporters across India.

- **Highly fragmented textile industry and volatility of raw materials prices**

The Indian textile industry is highly fragmented and competitive marked by presence of large number of organised and unorganised players. This restricts pricing flexibility and bargaining power with its customers. The margins are fluctuating due to volatility in pricing of raw materials i.e. polyester which is dependent on crude oil prices. However, the company's long established presence in the industry and ability to pass on volatility in raw material to its customers reduces the risk to certain extent.

## Outlook: Stable

Acuité believes that General group will continue to maintain 'Stable' outlook over the medium term from its promoter's industry experience. The outlook may be revised to 'Positive' if the company reports increased operating revenues while sustaining its margins and cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital cycle leading to deterioration of its financial risk profile and liquidity profile.

## About the Group

General Group, since 1995, is engaged in the manufacturing of polyester grey (unprocessed) fabrics which find its use in the textile industry, post converting the same into finished fabrics. The manufacturing facilities are located at Surat (Gujarat). General Polytex Private Limited (GPPL) another company in the group is also based in Surat was established in 2004. The company is engaged in manufacturing polyester greige fabric. General Group has Pan India presence such as Maharashtra, Gujarat, Delhi and Bengaluru with longstanding relationships with customers and Suppliers. General Group deals with 180 to 200 customers.

## About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	132.01	119.33	66.32
EBITDA	Rs. Cr.	24.05	23.54	14.86
PAT	Rs. Cr.	3.33	2.58	0.58
EBITDA Margin	(%)	18.22	19.73	22.41
PAT Margin	(%)	2.53	2.17	0.87
ROCE	(%)	7.87	8.35	8.61
Total Debt/Tangible Net Worth	Times	1.39	1.41	1.60
PBDIT/Interest	Times	3.18	2.64	1.63
Total Debt/PBDIT	Times	3.69	3.61	6.02
Gross Current Assets (Days)	Days	196	167	248

## Status of non-cooperation with previous CRA (if applicable)

Not Applicable

## Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation of Companies: <https://www.acuite.in/view-rating-criteria-22.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	15.99	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	17.03	ACUITE BBB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.43	ACUITE BBB- / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.05	ACUITE A3

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