

Press Release

General Polytex Private Limited

December 19, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on 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. The established track record of operations and experience of the management has helped the group to develop healthy relationships with its customers in getting recurring orders and regular flow of raw materials at better price from its suppliers. The group has registered a Y-o-Y growth in revenues of 12.34 percent to Rs. 150.78 crores in FY2019 as against Rs.134.22 crores in FY2018. The group is growing at CAGR of 39.00 percent since 2015 and registered revenue of Rs. 76.24 crores for last six months ending September 2019.

Acuité believes that the group will continue to benefit from its established presence in the industry and its improving business risk profile over the medium term.

• Diversified customer base, Proximity to raw material and geographically well diversified

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 last three years ending 2019. This also mitigates customer concentration risk to certain extent. 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.

• **Moderate financial risk profile**

General Group's financial risk profile is marked by moderate net worth, gearing and debt protection metrics. The company's net worth has subsequently improved to Rs. 68.49 crore as on March 31, 2019 as against Rs. 64.17 crore as on March 31, 2018 on account of healthy accretion to reserves during the same period. The company has followed a moderate leverage policy in the past, the same is reflected through its peak gearing level of 1.41 times since 2017. The gearing level (debt-equity) improved to 1.15 times as on March 31, 2019 from 1.40 times as on March 31, 2018. The gearing of the company is expected to remain low over the medium term on account of absence of any major debt funded capex plans and moderate accretion to reserves. The total debt of Rs. 79.01 crore as on March 31, 2019 consists of long-term debt of Rs.61.84 crore and working capital borrowings of Rs.17.17 crore. The interest coverage (ICR) ratio stood moderate at 3.55 times in FY2019 as against 2.59 times in the previous year. Debt to EBITDA stood at 2.52 times in FY2019 as against 3.36 times in FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.27 times in FY2019 and 0.17 times in FY2018.

Acuité believes that the financial risk profile of the group is expected to remain healthy backed by moderate net cash accruals and in absence of any major debt funded capex in near to medium term.

Weaknesses

• **Working capital intensive nature of operations**

General group operations are moderately working capital intensive marked by Gross Current Assets (GCA) of about 163 days in FY2019 and 186 days in FY2018. The textile industry is marked by high inventory holding and debtor days. The inventory days improved but stood moderate at 55 days for FY2019 and 88 days for FY2018. The debtor's days also stood high at 115 days for FY2019 as against 110 days for FY2018. The working capital cycle is moderately 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 group'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.

Liquidity Position: Adequate

General Group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.15.50 - 21.50 crore over the last three years through FY2019; against which its repayment obligations are Rs.10 to 11.00 crore. Group's net cash accruals are estimated in the range of Rs.18.00- 22.00 crore over the medium term; against which its maturing debt obligations are about Rs.10.50 to 11.00 crore per annum. General group operations are moderately working capital intensive as marked by gross current asset (GCA) of 163 days in FY2019 and 186 days in FY2018. This has led to moderate reliance on working capital borrowings, the cash credit limit of group remains utilised at 90 percent during season and average utilisation stood between 40 to 50 percent for the last six months period ended November 2019. The group's DSCR stood at 1.59 times in FY2019. General Group maintains low unencumbered cash and bank balances of Rs.0.14 crore as on March 31, 2019. The current ratio stood at 2.03 times as on March 31, 2019. The group has no major capex plans other than maintenance capex. Acuité believes that the liquidity of group will continue to remain adequate over the medium term.

Rating Sensitivities

- Improving revenue and Margins
- Moderately working capital intensive nature of operations
- Significant debt funded capex beyond expected level leading to deterioration in capital structure

Outlook: Stable

Acuite 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' if company generates lower-than-anticipated cash accruals, most likely as a result of sharp decline in operating margins, or further stretch in its working capital cycle, or larger-than expected debt funded capex impacting its financial risk profile, particularly its liquidity.

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 and 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 comprises of New High Speed Water Jet Looms of 470 Machines including 10 Warping Machines and owns 150 Twisting Machines for High quality Twist Fabrics. General Group deals with 180 to 200 customers.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	150.78	134.22
PAT	Rs. Cr.	4.94	3.37
PAT Margin	(%)	3.27	2.51
Total Debt/Tangible Net Worth	Times	1.15	1.40
PBDIT/Interest	Times	3.55	2.59

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Oct-2018	Cash Credit	Long Term	3.00	ACUITE BBB-/ Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB-/ Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long Term	10.50	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long Term	15.99	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long Term	17.03	ACUITE BBB-/ Stable (Assigned)
	Proposed Bank Facility	Long Term	0.43	ACUITE BBB-/ Stable

				(Assigned)
	Bank Guarantee	Short Term	1.05	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/ Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	9.19	ACUITE BBB-/ Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	14.44	ACUITE BBB-/ Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	15.16	ACUITE BBB-/ Stable (Reaffirmed)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.16	ACUITE BBB-/ Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.05	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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