

Press Release

General Polytex Private Limited

November 24, 2020



Rating Reaffirmed

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

Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the 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**'.

The rating reaffirmation factors in moderate improvement in operating performance of the group driven by volume growth in sales of fabrics, capacity utilization levels, along with improvement in profitability levels, thereby leading a healthy liquidity position. Further, the rating also take support of experienced management, long track record of operations in the textile industry and moderate financial risk profile of the group marked by moderate networth, comfortable gearing and healthy debt protection metrics.

About the Company

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 an installed capacity of 300 looms and 68 twisting machines. The company has set up a windmill of 2.60 MW Located at Jamnagar, Gujarat have started operations in February 2020.

About 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 in 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. The group owns windmill of 2.10 MW located at Rajkot and 2.60 MW Located at Jamnagar, Gujarat.

Analytical Approach

Acuité has consolidated the operating and financial risk profile of General Petrochemicals Private 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 to as 'General Group'. The consolidated approach is taken on the basis of common management, same product line of manufacturing, common sales & distribution network and other financial synergies. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced management and established presence in the industry**

The group is promoted by Mr. Mohamed Umar General and his three sons, Mr. Mohamed Amin General, Mr. Mohamed Juned General and Mr. Mohamed Zaid General. The group has a presence since 1995 and has more than two decades of established track record in the 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 a better price from its suppliers.

The group has registered a Y-o-Y growth in revenues of 5.81 percent to Rs. 158.85 crores in FY2020 as against Rs.150.12 crores in FY2019. The group is growing at CAGR of 24.41 percent since 2016 and registered revenue of Rs. 61.54 crores for the last seven months ending October 2020. The operating margin stood at 18.96 percent in FY2020 as against 20.36 percent in FY2019 and net profit margins stood improved at 5.05 percent in FY2020 as compared to 2.85 percent in the previous year. The group has orders worth Rs. 12.40 crores.

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 the domestic market with top ten customers contributing to less than ~50.00 percent of the total revenue for the last three years ending 2019. This also mitigates customer concentration risk to a 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 regions 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 a 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 group's net worth has subsequently improved to Rs. 81.28 crore as on March 31, 2020 as against Rs. 68.49 crore as on March 31, 2019 on account of healthy accretion to reserves during the same period. The net worth includes unsecured loans of Rs.15.61 crores in FY2020 and Rs. 10.83 crores in FY2019. The group has followed a moderate leverage policy in the past, the same is reflected through its peak gearing level of 1.40 times since 2018. The gearing level (debt-equity) improved to 0.78 times as on March 31, 2020 from 1.15 times as on March 31, 2019. The gearing of the group is expected to remain low over the medium term on account of the absence of any major debt funded capex plans and moderate accretion to reserves. The total debt of Rs. 63.76 crore as on March 31, 2020 consists of long-term debt of Rs.63.02 crore and working capital borrowings of Rs.0.74 crore. The interest coverage (ICR) ratio stood comfortable at 4.21 times in FY2020 as against 3.47 times in the previous year. Debt to EBITDA stood at 2.11 times in FY2020 as against 2.57 times in FY2019.

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

Weaknesses

- **Working capital intensive operations**

General group operations are moderately working capital intensive marked by Gross Current Assets (GCA) of about 155 days in FY2020 and 163 days in FY2019. The textile industry is marked by high inventory holding and debtor days. The inventory days improved but stood moderate at 51 days for FY2020 and 55 days for FY2019. The debtor's days also stood improved at 83 days for FY2020 as against 115 days for

FY2019. The slight improvement in working capital cycle is due to nationwide lockdown in month of March 2020. Also, 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 group sells its products to merchant exporters, traders and dealers across India. However, group's reliance on working capital limits remains low for the last nine months period ended in October 2020.

• Highly competitive textile industry, economic slowdown and volatility of raw materials prices

The textile industry in India is highly fragmented and competitive marked by the presence of a large number of organised and unorganised players. The group is exposed to intense competition from both domestic players as well as the established players in the overseas market. The shifts in consumption patterns and current slowdown due to pandemic may have an adverse impact on the operations of the group. The Indian textile industry has also seen a muted growth in the past few years and has been impacted by ongoing pandemic having adverse impact on operating performance of most of the textile players including General group. Also, margins remain fluctuating due to volatility in pricing of raw materials, i.e. polyester, which is dependent on crude oil prices. Further, Industry is likely to witness fall in demand by 25 to 30 percent due to slowdown and export-import restrictions in the current fiscal. 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 a certain extent. Acuité believes that the ability to manage steady revenue growth while maintaining profitability and efficiently managing working capital cycle will be the key rating sensitivity factors.

Rating Sensitivities

- Sustaining existing business and financial risk profile
- Elongation in working capital cycle
- Significant debt funded capex beyond expected level leading to deterioration in capital structure

Liquidity Position: Adequate

General Group has adequate liquidity profile marked by comfortable net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.15.55 – 21.77 crore over the last three years through FY2020; against which its repayment obligations stood between Rs.10.00 to 14.00 crore. Group has moderate reliance on working capital borrowings, the cash credit limit of group remains utilised low for the last nine months period ended October 2020. The current ratio stood comfortable at 3.33 times as on March 31, 2020 as against 2.03 times as on March 31, 2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.34 times in FY2020 and 0.27 times in FY2019. The liquidity is expected to remain healthy, supported by expected capital infusion from the promoters.

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' if the company generates lower-than-anticipated cash accruals, most likely as a result of a 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 Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	158.85	150.12
PAT	Rs. Cr.	8.02	4.28
PAT Margin	(%)	5.05	2.85
Total Debt/Tangible Net Worth	Times	0.78	1.15
PBDIT/Interest	Times	4.21	3.47

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

None

Any other information

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None

Any Material Covenants

Not Any

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Dec-2019	Cash Credit	Long Term	3.00	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB-/Stable (Reaffirmed)
	Term loans	Long Term	9.19	ACUITE BBB-/Stable (Reaffirmed)
	Term loans	Long Term	14.44	ACUITE BBB-/Stable (Reaffirmed)
	Term loans	Long Term	15.16	ACUITE BBB-/Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	5.16	ACUITE BBB-/Stable (Reaffirmed)
	Bank guarantee	Short Term	1.05	ACUITE A3 (Reaffirmed)
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	27/06/2013	Not Applicable	30/09/2022	5.59	ACUITE BBB-/Stable (Reaffirmed)
Term loans	27/03/2014	Not Applicable	31/03/2023	10.95	ACUITE BBB-/Stable (Reaffirmed)
Term loans	09/01/2014	Not Applicable	30/06/2022	10.42	ACUITE BBB-/Stable (Reaffirmed)
Term loans	11/06/2019	Not Applicable	30/11/2029	10.85	ACUITE BBB-/Stable (Reaffirmed)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.34	ACUITE BBB-/Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.85	ACUITE A3 (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Rupesh Patel Senior Analyst - Rating Operations Tel: 022-49294044 rupesh.patel@acuite.in	

About Acuité Ratings & Research:

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