

Press Release

General Polytex Private Limited

March 04, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.85	-	ACUITE A3+ Reaffirmed
Bank Loan Ratings	61.15	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	63.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

The rating reaffirmation factors in 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. However, the above strength are partly offset by working capital intensive operations and competitive nature of the industry.

About Company

General Polytex Private Limited (GPPL) established in 2004 is headquartered at Surat (Gujarat). The group 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 group has set up a windmill of 2.60 MW Located at Jamnagar, Gujarat have started operations in February 2020.

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 group 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

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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 Private 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.

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 group 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. Company has already achieved a turnover of Rs ~ 160 crore till January 2022 and is expecting to close this fiscal year at ~Rs.190 crore. The EBITDA margin has also marginally increased to 20.07 percent in FY2021 from 17.90 percent in FY2020 due to a cut in the power and fuel costs and a reduction in the raw materials cost. 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 2021. 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 group 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

The group has a moderate financial risk profile with moderate net worth, stable gearing and moderate debt protection metrics. The networth of the group has improved to Rs 92.41 crore as on March 2021 as against Rs 81.28 crore in March 2020 on account of healthy accretion to reserves during the same tenure. The net worth includes unsecured loans of Rs 21.26 crores in March 2021 and Rs 15.61 crores in March 2020. The group follows a conservative financial policy same is reflected through its gearing ratio almost stagnant at 0.76 times as on March 31, 2021 and 0.78 times as on March 31, 2020. The gearing of the group 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 TOL/TNW of the group stood at 0.85 times as of March 2021 as against 0.87 times as of March 2020. The ICR has improved to 5.04 times for FY 2021 as against 4.21 times for the FY 2020. However, the DSCR has deteriorated to 1.26 times as of March 2021 as against 1.64 in March 2020. 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

• Intensive Working capital cycle

General Group operations are moderately working capital intensive marked by GCA days of 254 days in FY2021 as against 146 days in FY2020. The increase in GCA days is driven by the deterioration in inventory days from 48 days in FY2020 to 110 days in FY2021 as the Group was running its operation at 90% despite the weak demand which led to piling up of the inventory due to the Covid-19 pandemic. The group's Debtors increased to 127 days in FY2021 as opposed to 78 days in FY2020. 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. However, the working capital limits of group remains utilised at 77.25% for the last 12 months period ended December 2021.

• 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 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 witnessed fall in demand by 25 to 30 percent due to slowdown and export-import restrictions in the pandemic. 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

Material Covenants

None

Liquidity Position: Adequate

The liquidity position continues to remain adequate marked by adequate net cash accruals to its maturing debt obligations. The group generated net cash accruals of Rs.18.86 – 21.46 crore over the last two years through FY2021; against the repayment obligations of Rs.13 to 16.00 crore. Net cash accruals are expected to be in the range of Rs 29.89-32.68 crores over the medium term against the repayment obligation of Rs 12.12 crores during the same tenure. The NCA/TD reduced to 0.27 times as on March 31, 2021, as against 0.34 times as on March 31, 2020. The working capital limits of group remains utilised at 77.25% for the last 12 months period ended December 2021.

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 group reports increased operating revenues while sustaining its margins and cash accruals. Conversely, the outlook may be revised to 'Negative' if group 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

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	125.84	158.85
PAT	Rs. Cr.	5.47	8.02
PAT Margin	(%)	4.35	5.05
Total Debt/Tangible Net Worth	Times	0.76	0.78
PBDIT/Interest	Times	5.04	4.21

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

None

Any Other Information

None

Applicable Criteria

- Application Of 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Dec 2020	Bank Guarantee	Short Term	1.85	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	10.42	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	10.95	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	3.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	5.59	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Long Term	5.34	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	10.85	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
24 Nov 2020	Term Loan	Long Term	5.59	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	10.95	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	10.42	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.85	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	5.34	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	10.85	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
19 Dec 2019	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	5.16	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	15.16	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	14.44	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	9.19	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.05	ACUITE A3 (Reaffirmed)
		Long		

04 Oct 2018	Cash Credit	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.85	ACUITE A3+ Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB Stable Reaffirmed
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB Stable Reaffirmed
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	9.96	ACUITE BBB Stable Reaffirmed
South Indian Bank	Not Applicable	Term Loan	Not available	Not available	06-11-2019	9.67	ACUITE BBB Stable Reaffirmed
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	4.64	ACUITE BBB Stable Reaffirmed
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	10.57	ACUITE BBB Stable Reaffirmed
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	8.31	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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