

## Press Release

### General Polytex Private Limited

April 07, 2023



### Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	142.10	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	63.00	ACUITE BBB-   Stable   Downgraded	-
Bank Loan Ratings	4.75	-	ACUITE A3   Assigned
<b>Total Outstanding Quantum (Rs. Cr)</b>	209.85	-	-

### Rating Rationale

Acuite has downgraded its long term rating to **ACUITE BBB-** (read as **ACUITE triple B minus**) from **ACUITE BBB**(read as **ACUITE Triple B**) on the Rs.63.00 crore bank facilities of General Polytex Private Ltd (GPPL). The outlook is 'stable'.

Acuite has assigned its 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.146.85 crore bank facilities of GPPL. The outlook is 'Stable'.

### Rationale for the rating

The rating reflects Acuite's expectation of continued deterioration in the financial risk profile of the General Group on account on its on-going debt funded capex. The group is currently operating Water Jet Looms for manufacturing fabric and at present, the group has 469 looms with an average plant utilization of 83% over the last 4 Years. The group is further setting up an expansion project adjacent to the existing plant for manufacturing of Fabric from 180 Water jet looms with an installed capacity of 194.40 lac meters / year and from 120 Air jet looms 140.40 lac meters/year. The total cost of project is expected to be Rs. 190.86 crore and is expected to be funded through bank loans of Rs. 134 crore, equity of Rs. 15 crore, unsecured loans from promoters/directors to the tune of Rs. 20.55 crore and the balance Rs.20-22 crore through internal accruals. Acuite believes that though the current capex is likely to be value accretive for the group over the long term, it is likely to exert liquidity pressure over near to medium term. This further accentuated by the drop witnessed in operating margins. Acuite observes that, on account of the increased raw material costs, the EBITDA margin has declined to 13.19 percent in FY2022 from 20.08 percent in FY2021. Acuite believes that the margins are expected to remain around similar levels over the medium term. The lower profitability levels, coupled with increasing working capital requirements, scheduled repayments and utilization of internal accruals for capex may result in liquidity mismatch. Acuite believes that adequate funding support to cater to the incremental working capital requirement is a key rating sensitivity.

### 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 currently comprises of 469 High Speed Water Jet Looms including 10 Warping Machines and owns 150 Twisting Machines for High quality Twist Fabrics. 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. Mohmed Umar General and his three sons, Mr. Mohmed Amin General, Mr. Mohmed Juned General and Mr. Mohmed 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. On the back of the experienced management and established presence, the group has seen a 50% Y-o-Y growth in FY2022. The revenue stood at Rs. 188.80 crore in FY2022 as against Rs.125.84 crore in FY2021. Also, the group has already achieved a turnover of Rs ~ 146 crore till December 2022

Acuité believes that the group will continue to benefit from its established presence in the industry 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 2022. 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 tangible networth of the company stood at Rs. 87.53 crore as on March 31, 2022 as against Rs. 84.58 crore in March 31, 2021. The group currently follows a moderate leverage policy as the gearing of the group improved at 0.83 times as on March 31, 2022, as against 0.93 times as on March 31, 2021. The TOL/TNW of the group stood at 0.98 times as of March 2022 as against 1.02 times as of March 2021. Also, the debt protection metrics of the company remained moderate with Debt Service Coverage ratio of the group stood at 1.09 times in FY2022 as against 1.26 times in FY2021. Interest coverage ratio of the company stood at 4.66 times in FY2022 as against 5.04 times in FY2021.

Going ahead, Acuite expects deterioration in the financial risk profile of the general group on account of the on-going debt funded capex. The group is currently operating Water Jet Looms for manufacturing fabric and at present, the group has 469 looms with an average plant utilization of 83% in last 4 Years. The group is further setting up an expansion project adjacent to the existing plant for manufacturing of Fabric from 180 Water jet looms with an installed capacity of 194.40 lac meters / year and from 120 Air jet looms 140.40 lac meters/year. The total cost of project is expected to be Rs. 190.86 crore and is expected to be funded through bank loans of Rs. 134 crore, share capital of Rs. 15 crore, unsecured loans from promoters/directors of Rs. 20.55 crore and internal accruals of Rs. 20-22 crore. The project is expected to be completed by November 2023 and the debt tie up for the project is complete.

### **Weaknesses**

#### **Working capital intensive nature of operations**

General Group has an intensive working capital cycle marked by GCA days of 155 days in FY2022 as against 254 days in FY2021. The improvement in GCA days is driven by the improvement in Inventory days to 85 days in FY2022 from 110 days in FY2021. The inventory days were higher in FY2021 as the Group was running its operation at 90% despite the weak demand which led to piling up of the inventory. The group's debtor collection period stood also saw an improvement to 69 days in FY2022 from 127 days in FY2021. Creditor days of the group stood at 25 days in FY2022 as against 27 days in FY2021. The current ratio stood at 1.68 times as on March 31, 2022. However, despite the slight improvement in the working capital cycle, the average utilisation of the working capital limits is higher and stood around 95-97% for the year ended on December 2022.

Acuite expects that with an increase in the company's capacity the working capital requirements are also expected to increase in the near to medium term,

#### **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 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 the 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 which is also observed in the profitability of the group as the operating margin has declined to 13.19 percent in FY2022 from 20.08 percent in FY2021. The profit after tax margin also subsequently declined to 3.67 percent in FY2022 as against 4.34 percent in FY2021.

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

- Timely completion of capex without time and cost overruns
- 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 cash accruals of Rs.18.23 for FY2022 against the repayment obligations of Rs.16.32 crore. Going ahead, the net cash accruals are expected to remain in the range of Rs.18.19 crore to Rs. 22.99 crore and the repayment obligations in the range of Rs. 14.37 to 16.18 crore. The NCA/TD stood at 0.25 times as on March 31, 2022, as against 0.24 times as on March 31, 2021. The average utilisation of the working capital limits is around 95-97% for the year ended on December 2022.

### 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

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	188.80	125.84
PAT	Rs. Cr.	6.93	5.47
PAT Margin	(%)	3.67	4.34
Total Debt/Tangible Net Worth	Times	0.83	0.93
PBDIT/Interest	Times	4.66	5.04

### 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

### Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Mar 2022	Term Loan	Long Term	8.31	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	10.57	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	4.64	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	9.67	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.85	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	9.96	ACUITE BBB   Stable (Reaffirmed)
15 Dec 2020	Bank Guarantee	Short Term	1.85	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	3.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	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)
	Proposed Bank Facility	Long Term	5.34	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	5.59	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	10.85	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)
	Term Loan	Long Term	5.59	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	10.95	ACUITE BBB-   Stable (Reaffirmed)

24 Nov 2020	Proposed Bank Facility	Long Term	5.34	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	10.85	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	10.42	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.85	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB-   Stable (Reaffirmed)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	4.75	ACUITE A3   Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.72	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE BBB-   Stable   Assigned
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.28	ACUITE BBB-   Stable   Assigned
South Indian Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	3.08	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
Central Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.45	ACUITE BBB-   Stable   Assigned
Central Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB-   Stable   Assigned
UCO Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE BBB-   Stable   Assigned
UCO Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.21	ACUITE BBB-   Stable   Assigned
UCO Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	0.83	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.12	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
South Indian	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.19	ACUITE BBB-   Stable   Downgraded

Bank								( from ACUITE BBB )
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	23.95	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.94	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.00	ACUITE BBB-   Stable   Assigned
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	50.00	ACUITE BBB-   Stable   Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	50.00	ACUITE BBB-   Stable   Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.05	ACUITE BBB-   Stable   Assigned
UCO Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.78	ACUITE BBB-   Stable   Assigned



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### About Acuité Ratings & Research

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