Ginni Filaments Limited

April 30,2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	91.02 (Reduced from 308.75)	CARE BBB-; Stable	Revised from CARE BB+; Stable
Short Term Bank Facilities	18.00 (Reduced from 74.57)	CARE A3	Revised from CARE A4+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision on ratings of the bank facilities of Ginni Filaments Limited (GFL) takes into account expected improvement on overall financial risk profile of the company as company has concluded the slump sale of loss-making traditional textile segment during February 2024. The sold division was major contributor to the company's losses sustained during 9MFY24 (Unaudited, refers to the period April 01 to December 31), wherein the company has incurred loss (before tax adjustments) of Rs. 50.42 crores on combined basis and of which traditional textile accounted for loss of Rs. 47.76 crores. The residual business operations comprise of garment, non-woven yarn and technical textile, which has generated positive PBILDT of Rs. 17.33 crores during 9MFY24. Further the cash inflow from slump sale of around Rs 145 crores is used for repayment of major term liabilities of the company which has been reduced from Rs. 101.91 crores as at March 31,2023, to Rs. 22.02 crores as at March 31,2024, & reduction in WC limits which majorly comprise of discontinued operations and remaining funds are currently parked in cash credit accounts thereby leading to substantial improvement in capital structure of the company.

The ratings, further, continues to draw strengths from the experienced and resourceful promoters with long track record of operations, integrated operations (Non-Woven, Garments and Wipes) and diversified product mix along with established relationship with clients and distribution network.

The rating strengths are partially offset by volatility in the raw material prices, limited scale of operations after slump sale, loss making garments unit left over in company, susceptibility to foreign exchange rate fluctuations and intense competition in the industry.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Improvement in profitability margins marked by PBILDT margin exceeding 10% on sustained basis coupled with revenue from operations beyond Rs 400 crores.
- Reduction in gross working capital cycle days to below 50 days

Negative factors

- Deterioration in the PBILDT margin below 5% on sustained basis.
- Deterioration in the capital structure as marked by overall gearing ratio above 1.00x

Analytical approach: Standalone

Outlook: Stable

The continuation of "Stable" outlook to the bank facilities of GFL takes into account continuing capabilities of the management due to its long track record of operations to mitigate the inherent risk related to volatility in raw material prices and highly competitive nature of industry without compromising much on operational aspects.

Detailed description of the key rating drivers:

Key strengths

Experienced and resourceful promoters with long track record of operations:

GFL has been promoted by Dr. Rajaram Jaipuria and his son, Mr. Shishir Jaipuria. Dr. Jaipuria has a Doctorate degree in Economics and has been associated with the textile industry for around six decades now. Mr. Shishir Jaipuria (B. Com, LLB) has an experience of more than three decades in the textiles industry. Furthermore, GFL has a long track record of operations, as the company has

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

been operational since 1982, the company commenced its business with an installed capacity of 26,208 spindles. Promoters are further supported by seasoned professionals in their respective domains to manage day to day operations of the company. Besides, promoters are resourceful and has shown ability to infuse funds in the business as and when required as they have infused unsecured loans during FY24 so as to fund cash losses sustained due to loss making traditional textile segment.

Integrated operations (Non-Woven, Garments and Wipes) and diversified product mix:

The operations of GFL are still integrated with the company providing a complete range of products to its customers which includes multiple consumer products like wipes, non-woven and garments. Although, erstwhile traditional textile segment used to contribute major proportion of revenue for the company, however, it was sustaining continuous losses from Q2FY23 and therefore company has entered into business transfer agreement with RSWM Limited for slump sale which is concluded in February 2024 and cash flow from slump sale is used for repayment of term liabilities of discontinued operations and therefore company is left with term liabilities of Rs 22.02 crores only as at March 31,2024, as against term liabilities of around Rs 101.91 crores as at March 31,2024. Further, remaining funds from slump sale is parked in cash credit account leading to nil utilisation as on March 31,2024. Thus, external debt of the company stands at Rs 22.02 crores only as at March 31,2024, against external debt of Rs. 252.95 crores as at March 31,2023. Residual business which includes consumer products segment in which they manufacture products like wet wipes and company majorly manufactures wet wipes as a job worker for major brands like Jonson and Jonson etc and also under their own brand 'CLEA', garments and non-woven were profitable and has contributed around 39% of total revenue from operations during FY23 and 38% during 9MFY24.

Established relationship with clients and distribution network:

Over the years GFL has established strong relationships with customers. The company used to export yarns, garments, and wet wipes to countries like Korea, Bangladesh, Dubai, UK, USA, and Turkey. Thus, previous client base and experience is also helping company to secure export orders for its residual business, and they are in process of securing some good orders for their consumer products segment.

Expected improvement overall financial risk profile of the company and comfortable capital structure.

Company has concluded slump sale of loss-making traditional textile segment during the month of February 2024. Thus, the company is left with residual business of technical textile which is profitable as company has booked revenue from operations of Rs. 373.20 crores during FY23 (Audited, refers to the period April 01 to March 31) with PBILDT of Rs 39.41 crores. Further, during 9MFY24 (Unaudited, refers to the period April 01 to December 31) company has booked revenue from operations of Rs. 253.49 crores with PBILDT of Rs 17.33 crores from the residual business. Therefore, since the loss-making segment is eliminated company overall financial risk profile is expected to improve substantially in current financial year as cash flow from slump sale is used for repayment of term liabilities pertaining to erstwhile traditional textile segment and remaining funds are parked in working capital accounts which will be used for consolidating residual business. As on March 31,2024, company's term liabilities are reduced to Rs 22.02 crores against term liabilities of Rs. 101.91 crores as on March 31,2023, whereas working capital sanctioned limits has also been reduced to Rs 69 crores as on March 31,2024, (PY: Rs 207 crores as on March 31,2023), which remains un-utilised as remaining funds from slump sale is parked in cash credit accounts. Therefore, total external debt of company has been reduced to Rs 22.02 crores as at March 31,2024, against Rs. 252.95 crores as at March 31,2023, leading to substantial improvement in capital structure of the company.

Key weaknesses

Limited scale of operations after slump sale and loss-making garment unit left over in the company.

Post slump sale, the company scale of operations are expected to decline majorly, albeit with improvement in profitability. The sold division accounted for total operating of Rs. 580.72 crores during FY23 and Rs. 420.87 crores during 9MFY24 and the continuing operations (remaining operations) has total operating income of Rs. 372.20 crores during FY23 and Rs. 253.49 crores during 9MFY24. Further during FY23 and 9MFY24, the continuing operations has generated PBILDT of Rs. 39.41 crores and Rs. 17.33 crores respectively as compared to loss of Rs. 39.94 crores during FY23 and Rs. 47.76 crores during 9MFY23 from the sold division. Although the company continuing operations are profitability, however the major profitability is coming from non-woven fabric division and its garment division is still loss making due to overall demand weakness in US and European market. Going forward, the company is planning to consolidate its technical textile and non-woven division and monitor the performance of garment division and in the event the division is not able to perform in the next one year, then it may take decision to hive off the garment division.

Volatility in the raw material prices:

GFL's residual business of technical textile is manufactured from key raw material polyester, viscose etc which is primarily manufactured from crude oil. The price of raw materials remains highly volatile throughout the year as is dependent on multiple external factors like government policies, macro-economic factors etc. Further, the ability to transfer the volatility in raw material prices is limited on account of the low bargaining power of the companies with its suppliers as well as its customers, as the prices of both raw materials and finished goods are dependent upon the market conditions. The ability of the company to mitigate the fluctuation risk pertaining to raw materials by keeping lowest possible inventory and ability to pass on the fluctuations to their buyers will be key monitorable and will lead to revision in ratings.

Susceptibility to foreign exchange rate fluctuations:

As substantial portion of GFL's income is generated through the export market (FY23: 27% of sales; PY: 33%), thereby the company is exposed to foreign exchange fluctuation risk. However, GFL has some amount of natural hedge due to some imports of raw material. Although, the company also hedges the risk through forward contracts despite of which some proportion of forex exposure remains unhedged leading to currency fluctuation risk. However, company has gained Rs 1.59 crores during FY23 (PY: Rs. 2.34 crores) on account of foreign currency fluctuation.

Highly fragmented, competitive and cyclical nature of industry

The Indian textile industry consists of large and organized players who contribute to 75% of the total installed capacity and the remaining 25% is contributed by unorganized segment. CARE Ratings Limited (CARE Ratings) notes that the intense competition in the highly fragmented textile industry also restricts its ability to completely pass on the volatility in input cost to its customers. Moreover, given the commoditized nature of the product with limited product differentiation, the competitive intensity is high with minimal pricing power.

Liquidity: Adequate

The company projects Gross Cash Accruals (GCA) of around Rs 20-25 crores annually from residual business against scheduled annual obligations of Rs. 4.76 crores as they are left with term liabilities of only Rs 22.02 crores as at March 31,2024, which implies adequate repayment capabilities of the company. The current and quick ratio stood at a moderate level of 1.27x and 0.63x, as on March 31, 2023, as compared with 1.29x and 0.57x as on March 31, 2022. Furthermore, after conclusion of slump sale company's working capital limits has been reduced to Rs 69 crores (previously Rs 207 crores) and since remaining funds from slump sale is parked in cash credit accounts, working capital limits remains un-utilised as on March 31,2024.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Cotton Textile
Short Term Instruments

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Incorporated in 1982 as an Export Oriented Unit (EOU), Ginni Filaments Limited (GFL) is an integrated textile player offering comprehensive range of Technical textiles and consumer products like wet wipes. GFL was promoted by Dr. Rajaram Jaipuria and subsequently taken over by his son Mr. Shishir Jaipuria who has an overall experience of 34 years in textile industry.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	December 31,2023 (UA)
Total operating income	1,084.46	953.92	674.36
PBILDT	113.77	23.23	-6.98
PAT	48.36	-14.33	-33.68
Overall gearing (times)	1.12	0.92	NA
Interest coverage (times)	4.67	1.02	-0.31

A: Audited UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	69.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	March 2024	22.02	CARE BBB-; Stable
Non-fund-based - ST-BG/LC		-	-	-	18.00	CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	69.00	CARE BBB-; Stable	-	1)CARE BB+; Stable (05-Feb-24) 2)CARE BBB-; Negative (23-Aug-23) 3)CARE BBB-; Stable (28-Jun-23)	1)CARE BBB; Negative (21-Feb-23) 2)CARE BBB; Stable (28-Jun-22)	1)CARE BBB; Stable (18-Aug-21)
2	Non-fund-based - ST-BG/LC	ST	18.00	CARE A3	-	1)CARE A4+	1)CARE A3+	1)CARE A3+

						(05-Feb-24) 2)CARE A3 (23-Aug-23) 3)CARE A3 (28-Jun-23)	(21-Feb-23) 2)CARE A3+ (28-Jun-22)	(18-Aug-21)
3	Fund-based - LT-Term Loan	LT	22.02	CARE BBB-; Stable	-	1)CARE BB+; Stable (05-Feb-24) 2)CARE BBB-; Negative (23-Aug-23) 3)CARE BBB-; Stable (28-Jun-23)	1)CARE BBB; Negative (21-Feb-23) 2)CARE BBB; Stable (28-Jun-22)	1)CARE BBB; Stable (18-Aug-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated.

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

<table>
<tr>
<td>

Media Contact

Mradul Mishra
Director
CARE Ratings Limited
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Relationship Contact

Ankur Sachdeva
Senior Director
CARE Ratings Limited
Phone: 91 22 6754 3444
E-mail: Ankur.sachdeva@careedge.in

</td>
<td>

Analytical Contacts

Sajan Goyal
Director
CARE Ratings Limited
Phone: 91-120-4452017
E-mail: sajan.goyal@careedge.in

Amit Jindal
Associate Director
CARE Ratings Limited
Phone: 91-120-4452073
E-mail: amit.jindal@careedge.in

Farhan Anwar
Lead Analyst
CARE Ratings Limited
E-mail: Farhan.Anwar@careedge.in

</td>
</tr>
</table>

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information,
please visit www.careedge.in