

## Ginni Filaments Limited

May 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	91.02	CARE BBB-; Stable	Reaffirmed
Short Term Bank Facilities	18.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation in 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 FY24 (Unaudited, refers to the period April 01 to March 31), wherein the company has incurred loss of Rs. 84.49 crores on combined basis and of which traditional textile accounted for loss of Rs. 58.24 crores and exceptional loss of Rs. 25.71 crores (Rs. 15.20 crores on BTA and Rs. 10.51 crores of bad debts w/off pertaining of garmenting segment). Thus, the residual business operations comprise of garment, non-woven yarn and technical textile, which has generated positive PBILDT of Rs. 22.27 crores during FY24. 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 sanctioned limits from Rs 207 crores to Rs 69 crores. Additionally, company has cash and cash equivalents of Rs. 42.66 crores as at March 31, 2024, thus, net working capital utilisation stands at Rs 10.45 crores as at March 31, 2024.

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

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://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. Additionally, remaining funds from slump sale were invested in liquid short-term investment thereby leading to cash and cash equivalents of Rs. 42.66 crores as at March 31,2024, whereas working capital utilisation as at March 31,2024, was Rs 53.11 crores. Thus, net-working capital utilisation as at March 31,2024, of the company was Rs. 10.45 crores and total net debt stands at Rs 35.58 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 42% during FY24.

**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. 350.87 crores during FY24 (Provisional, refers to the period April 01 to March 31) with PBILDT of Rs 22.27 crores as against Rs. 373.20 crores during FY23 (Audited, refers to the period April 01 to March 31) with PBILDT of Rs 39.41 crores. 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 cash and liquid investment 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). Therefore, total net external debt of company has been reduced to Rs 35.58 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.**

Following the slump sale, the company scale of operations are significantly declined although profitability has improved since company has sold-out loss-making spinning segment. The sold division accounted for total operating of Rs. 580.72 crores during FY23 and Rs. 478.42 crores during FY24 and the continuing operations (remaining operations) has total operating income of Rs. 371 crores during FY23 and Rs. 350.87 crores during FY24. Further during FY23 and FY24, the continuing operations has generated PBILDT of Rs. 37.11 crores and Rs. 22.27 crores respectively whereas company has booked loss from discontinued operations of Rs. 27.88 crores during FY23 and Rs. 58.24 crores during FY24 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 plans to consolidate its technical textile and non-woven divisions and closely monitor the performance of the garment division. If the garment division does not show signs of improvement within the next year, the company may decide to divest it as well.

**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, 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.

#### **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 improved substantially and stood at strong level of 4.34x and 2.90x, as on March 31, 2023, as compared with 1.27x and 0.63x as on March 31, 2022. Furthermore, after conclusion of slump sale company's working capital limits has been reduced to Rs 69 crores from previously Rs 207 crores.

#### **Assumptions/Covenants: Not Applicable**

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

#### **Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

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#### **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)*	March 31, 2024 (UA)*
Total operating income	1,084.46	371.00	350.87
PBILDT	113.77	37.21	22.27
PAT	48.36	-14.33	-84.49
Overall gearing (times)	1.12	0.92	0.40
Interest coverage (times)	4.67	4.02	1.79

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

\*All the numbers as at March 31, 2023, & March 31, 2024, were of continued operations i.e., of technical textile segment whereas PAT includes losses from discontinued operations as well.

#### **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 2029	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 BBB-; Stable (30-Apr-24)	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 A3 (30-Apr-24)	1)CARE A4+ (05-Feb-24)	1)CARE A3+ (21-Feb-23)	1)CARE A3+ (18-Aug-21)

						2)CARE A3 (23-Aug-23)  3)CARE A3 (28-Jun-23)	2)CARE A3+ (28-Jun-22)	
3	Fund-based - LT-Term Loan	LT	22.02	CARE BBB-; Stable	1)CARE BBB-; Stable (30-Apr-24)	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](mailto:care@careedge.in) for any clarifications.

### Contact us

<p><b>Media Contact</b></p> <p>Mradul Mishra          Director  <b>CARE Ratings Limited</b>          Phone: +91-22-6754 3596          E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Ankur Sachdeva          Senior Director  <b>CARE Ratings Limited</b>          Phone: 91 22 6754 3444          E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Sajan Goyal          Director  <b>CARE Ratings Limited</b>          Phone: 91-120-4452017          E-mail: <a href="mailto:sajan.goyal@careedge.in">sajan.goyal@careedge.in</a></p> <p>Amit Jindal          Associate Director  <b>CARE Ratings Limited</b>          Phone: 91-120-4452073          E-mail: <a href="mailto:amit.jindal@careedge.in">amit.jindal@careedge.in</a></p> <p>Farhan Anwar          Lead Analyst  <b>CARE Ratings Limited</b>          E-mail: <a href="mailto:Farhan.Anwar@careedge.in">Farhan.Anwar@careedge.in</a></p>
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