Ginni Filaments Limited

June 28,2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	286.04 (Enhanced from 234.13)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	62.17	CARE A3+ (A Three Plus)	Reaffirmed
Total Bank Facilities	**348.21 (₹ Three Hundred Forty-Eight Crore and Twenty-One Lakhs Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Ginni Filaments Limited (GHL) continue to derive strength from the experienced promoters and long track record of operations, moderate financial risk profile, integrated operations (Spinning, Fabric, Non-Woven, Garments and Wipes) and diversified product mix coupled with established relationship with clients and distribution network. However, the ratings are constrained by susceptibility to foreign exchange rate fluctuations coupled with volatility in the raw material prices and intense competition.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in profitability margins marked by PBILDT margin exceeding 12% on sustained basis
- Reduction in gross working capital cycle days to below 100 days

Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in the PBILDT margin below 7% on sustained basis
- Deterioration in the capital structure as marked by overall gearing ratio above 1.80x

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters & 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 more than 55 years. Mr. Shishir Jaipuria (B. Com, LLB) has an experience of more than 30 years in the textiles industry. Furthermore, GFL has a long track record of operations, as the company has been operational since 1982. The company commenced its business with an installed capacity of 26,208 spindles. With subsequent capacity enhancements over the years, the company has been able to increase its scale of operations from Rs. 788.37 crores in FY20 to Rs. 1084.46 crores in FY22.

Moderate financial risk profile:

The scale of operations of the company improved during the FY22 (refers to the period April 01 to March 31) by 39.32% as compared to revenue from operations in FY21 (refers to the period April 01 to March 31), the rise was majorly on account of improvement in yarn prices coupled with overall operational efficiency of company. Export comprises 33% of total revenue for FY22 which is improved from 30% in FY21. However, PBILDT margins of the company deteriorated during FY22 marked by PBILDT and PAT margins of 10.49% (PY: 14.23%) and 4.46% (PY: 5.31%) respectively, the deterioration was majorly on account of incremental turnover due to rise in yarn prices followed by rise in raw material prices. However, since company was able to shift some burden of rising raw material prices to their customers the profitability is absolute terms has improved. Further, Gross cash accruals (GCA) has improved to Rs. 73.73 crores during FY22 against Rs. 63.63 crores during FY21. The capital structure of the company continues to remain moderate with slight deterioration during FY22 on a year-on-year basis, with the long-term debt- to-equity and overall gearing ratios of 0.39x and 1.12x as on March 31, 2022, respectively (compared to 0.19x and 0.97x, respectively, as on March 31, 2021). The deterioration in capital structure was majorly due to capex of Rs. 78.74 crores majorly funded by debt in ratio of 3:1 coupled with higher working capital utilisation as on March 31,2022, as compared to March 31,2021 supported by improvement in revenue from operation during FY22. The interest coverage ratio of the company was improved to 4.67x in FY22 (P.Y 4.09x) due to improved profitability in absolute terms.

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

The operations of GFL are integrated with the company providing a complete range of products to its customers which includes products like combed cotton yarn, open end cotton yarn, knitted fabrics, baby wipes, facial wipes, kitchen wipes, processed fabrics, and garments. However, Yarn comprises major source of revenue for the company. During 9MFY22, GFL derived 49.30% of its revenue from operations from Yarn which has been increased from 42% during FY21 followed by non-Woven

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

which comprises 17.46% (PY: 28%), fabrics, wipes and other allied products comprises remaining 33.24% (PY: 31%) of the total revenue.

Established relationship with clients and distribution network:
Over the years GFL has established strong relationships with customers. The company exports yarns, garments, and wet wipes to countries like Korea, Bangladesh, Dubai, UK, USA, and Turkey. During the FY22, exports contribute 33% of total revenue from operations of the company which has been improved from 30% during FY21. GFL has marketing offices in India to cater to the diversified client base. The customer base is diversified with top five customers contributed only 19% to the total income of GFL during 9MFY22 which is improved from 22% during FY21.

Key rating weaknesses
Susceptibility to foreign exchange rate fluctuations:
As substantial portion of GFL's income is generated through the export market (FY22: 33% of sales; PY: 30%), 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. Though the company hedges the risk through forward contracts GFL continues to remain exposed to currency fluctuation risk. However, company has gained Rs 2.34 crores during FY22 (PY: Rs. 0.42 crores) on account of foreign currency fluctuation.

Volatility in the raw material prices:
GFL derives majority of income from the sale of cotton yarn which comprises almost 49% of revenue during FY22 and rest through fabrics, garments, nonwoven fabric, and wipes. The basic raw material for production of yarn is cotton. Cotton prices are dependent on the government policies, effect of monsoon etc. have been highly volatile in the past few years. 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. Apart from cotton, the raw materials used by GFL for manufacturing its products are polyester, viscose, and yarns. The polyester and viscose prices are related to crude oil prices, which are dependent upon the global economic scenario. Furthermore, yarn being a commodity its price is also volatile and movement in yarn prices can also have an impact on the profitability margins of GFL's fabric and garment verticals.
Cotton price increased by over 80% from March 2021 to March 2022, on the back of strong demand for cotton and cotton yarn in the domestic and international markets and an increase in international cotton prices. Apart from cotton, the prices of other key inputs, such as chemical and freight costs, have also witnessed a sharp rise recently, which may keep pressure on its margins in the near-to-medium term. However, GFL has been able to increase the selling price of its products to partially pass on the increase in the input prices, which will provide some cushion to its profitability.

Competition:
In the yarn and garment segment, the company faces competition from China, Bangladesh, and other cheap export-based countries, which sell yarns and garments at competitive rates compared to India. Indian apparel exporters face competition from Bangladesh on account of low wages and duty-free access to around 37 countries including EU nations. Indian apparel exports are still expected to be guided by development in USA and EU economies. Further, decreasing cost competitiveness of China is likely to give positive impetus to Indian textile exporters. Availability of skilled manpower and raw material like cotton, polyester and viscose puts India in a favourable position vis-à-vis other country.

Liquidity: Adequate
The company has a total debt repayment obligation of Rs. 28.79 crores in FY23, which will be met through the operational cash flow. Company has earned Gross Cash accruals (GCA) of Rs. 73.74 crores during FY22. The current and quick ratio stood at a moderate level of 1.29x and 0.57x, as on March 31, 2022, which was improved from 1.14x and 0.51x as at March 31,2021 coupled with improvement in overall operating cycle to 107 days during FY22 from 131 days during FY21 majorly on account of improvement in collection period and inventory days. The average working capital utilization of the company remains moderate and stood at 67.16% during the last 12 months ending March 2022.

Analytical approach: Standalone

Applicable criteria
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Cotton Textile

About the company
Incorporated in 1982 as an Export Oriented Unit (EOU), Ginni Filaments Limited (GFL) is an integrated textile player offering comprehensive range of Yarns, Fabrics, Garments, Non-woven fabrics. 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, 2021 (A)	March 31, 2021 (A)	March 31, 2022 (A)
Total operating income	790.63	778.42	1,084.46
PBILDT	61.74	110.80	113.77
PAT	5.70	41.30	48.36
Overall gearing (times)	1.68	0.97	1.12
Interest coverage (times)	1.87	4.09	4.67

A: Audited

Status of non-cooperation with previous CRA: CRISIL B+; Stable /A4, Issuer did not co-operate; Based on best available information

Any other information: Not Applicable

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

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

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	207.00	CARE BBB; Stable
Non-fund-based - ST-BG/LC		-	-	-	62.17	CARE A3+
Fund-based - LT-Term Loan		-	-	December 2028	79.04	CARE BBB; Stable

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	207.00	CARE BBB; Stable	-	1)CARE BBB; Stable (18-Aug-21)	1)CARE BBB-; Stable (07-Sep-20)	1)CARE BBB-; Stable (03-Oct-19)
2	Non-fund-based - ST-BG/LC	ST	62.17	CARE A3+	-	1)CARE A3+ (18-Aug-21)	1)CARE A3 (07-Sep-20)	1)CARE A3 (03-Oct-19)
3	Fund-based - LT-Term Loan	LT	79.04	CARE BBB; Stable	-	1)CARE BBB; Stable (18-Aug-21)	1)CARE BBB-; Stable (07-Sep-20)	1)CARE BBB-; Stable (03-Oct-19)

*Long term/Short term.

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

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of 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: Bank lender details for this company: click here

Note on 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.

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About us:
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