

Ginni Filaments Limited

October 03, 2019

Ratings

Facility	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank facilities	249.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short-term Bank facilities	58.00	CARE A3 (A Three)	Reaffirmed
Total	307.00 (Rupees Three Hundred Seven crore only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of Ginni Filaments Limited (GFL) continue to derive strength from its experienced promoters and their long track record of operations, its integrated operations and diversified product profile and established relationships with clients and distribution network. These rating strengths are however partially offset by moderate financial risk profile in FY19 (refers to the period from April 01, 2018 to March 31, 2019) and susceptibility of its profitability margins to volatility in raw material prices and foreign exchange rate fluctuation and competition.

Going forward, the ability of the company to increase its scale of operations with improvement in profitability margins and efficient working capital management shall remain key rating sensitivities.

Detailed Description of 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 54 years. Mr. Shishir Jaipuria (B.Com, LLB) has an experience of more than 29 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. The company is capable of manufacturing 21,054 MT yarn per annum (67,584 spindles and 1,680 rotors), 4,200 MT knitted fabric per annum (~41 knitting machines), 11,500 MT non-woven fabric per annum, 36 lakh garments pieces per annum (~750 stitching machines).

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. During FY19, GFL derived around 47% (PY: 44%) of its TOI from yarn, around 24% (PY: 24%) from non-woven, around 11% (PY: 11%) from fabrics, around 9% (PY: 10%) of its TOI from wipes & other products and around 8% (PY: 11%) of its TOI from garments leading to a diversified product mix.

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. GFL has marketing offices in India to cater to the diversified client base. The customer base is diversified with top five customers contributed only 21% to the total income of GFL during FY19.

Key Rating Weakness

Moderate Financial Risk Profile

In FY19, the total operating income of the company witnessed Y-o-Y growth of 15% to Rs 808.18 cr (PY: Rs. 703 cr) primarily on account of increase in exports sales. Further, PBILDT margin has moderated in FY19 to 6.37% (PY: 7.53%) owing to higher cotton prices. During FY19, the company reported net loss of Rs. 3.49 cr. However, GFL has continued to earn cash profit of Rs. 21.35 cr in FY19. The capital structure of the company has improved with overall gearing of 1.57x as on March 31, 2019 from 1.64x as on March 31, 2018. The company has achieved total operating income of Rs. 195.92 cr in Q1FY20 (Q1FY20: Rs 201.29 cr).

Susceptibility to foreign exchange rate fluctuations

As major portion of GFL's income is generated through the export market (FY19: 39% of sales; PY: 33%), the company is exposed to foreign exchange fluctuation risk. Furthermore, GFL's risk is also enhanced since the company has no natural

hedging due to minimal (around 15-20%) imports of raw material. Though the company hedges the risk through forward contracts (GFL continues to remain exposed to currency fluctuation risk. In FY19, the net gain of the company on account of exchange rate fluctuation is Rs 2.23 cr (PY: Rs 2.70 cr).

Volatility in the raw material prices

GFL derives majority of income from the sale of cotton yarn (FY19: 47% of sales) and rest through fabrics, garments, non-woven fabric and wipes. The basic raw material for production of yarn is cotton. Cotton prices, which 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.

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 favorable position vis-à-vis other countries.

Liquidity: Adequate

The liquidity profile of the company is moderate with current ratio of 1.01x as on March 31, 2019 (PY: 0.98x). GFL has working capital borrowings of Rs.219 crore and the utilization of the same stood at around 90%. During FY19, company has received export incentives of Rs. 9.11 crore (Rs. 5.79 crore in FY18). Operating cycle stood of close to 85-100 days. The company provides a credit period of around 40-45 days to its customers. However, the company gets credit period of around 25-30 days from its suppliers. Further, the company generally maintains inventory of 75-85 days. The company had cash & bank balance of Rs. 4.16 cr as on June 30, 2019. Also, GFL has also received Rs. 9 cr from sale of land and got Rs. 31 cr term loan sanctioned from Bank as reimbursement of capex incurred.

Analytical approach: Standalone

Applicable Criteria

- [Criteria on assigning 'outlook' and 'credit watch'](#)
- [CARE's policy on Default recognition](#)
- [CARE's criteria on Short term ratings](#)
- [CARE's methodology for manufacturing companies](#)
- [CARE's methodology for cotton yarn industry](#)
- [Financial Ratios-Non Financial sector](#)

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 33 years in textile industry.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	703.00	808.18
PBILDT	52.94	51.44
PAT	2.66	(3.49)
Overall gearing (times)	1.64	1.58
Interest coverage (times)	1.76	1.54

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	219.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	58.00	CARE A3
Fund-based - LT-Term Loan*	-	-	-	30.00	CARE BBB-; Stable

*Proposed

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	219.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (03-Oct-18) 2)CARE BBB-; Stable (03-Apr-18)	1)CARE BBB-; Stable (21-Apr-17)	-
2.	Non-fund-based - ST-BG/LC	ST	58.00	CARE A3	-	1)CARE A3 (03-Oct-18) 2)CARE A3 (03-Apr-18)	1)CARE A3 (21-Apr-17)	-
3.	Fund-based - LT-Term Loan	LT	30.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (03-Oct-18) 2)CARE BBB-; Stable (03-Apr-18)	1)CARE BBB-; Stable (21-Apr-17)	-

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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