

## Ginni Filaments Limited

September 07, 2020

### Ratings

Facilities	Amount (Rs. Crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	244.83 (Reduced from 249.00)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	62.17 (Enhanced from 58.00)	CARE A3 (A Three)	Reaffirmed
<b>Total Facilities</b>	<b>307.00</b> <b>(Rs. Three Hundred Seven Crore Only)</b>		

*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 FY20 (refers to the period from April 01, 2019 to March 31, 2020) and susceptibility of its profitability margins to volatility in raw material prices and foreign exchange rate fluctuation and competition.

### Rating Sensitivities

#### Positive Factors

- 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

- Deterioration in the PBILDT margins below 7%.
- Deterioration in capital structure with overall gearing of more than 2.5x.

### 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 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. 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 nonwoven 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 FY20, GFL derived around 45% (PY: 47%) of its TOI from yarn, around 24% (PY: 24%) from non-woven, around 12% (PY: 11%) from fabrics, around 10% (PY: 9%) of its TOI from wipes & other products and around 8% (PY: 8%) 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 22% to the total income of GFL during FY20.

### Key Rating Weakness

#### **Moderate Financial Risk Profile**

In FY20, the total operating income of the company moderated to Rs.790.63 crore (PY: Rs.810.60 crore) primarily on account of lower sales realization which is due to volatility in cotton prices and lockdown imposed by govt. Further,

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

PBILDT margin has improved in FY20 at 7.81% (PY: 6.65%) owing to lower material costs. During FY20, the company reported net profit of Rs.5.70 crore. Further, GFL has continued to earn cash profit of Rs.30.80 crore in FY20 (PY: Rs.21.35 crore). The capital structure of the company remained moderate with overall gearing of 1.68x as on March 31, 2020 from 1.61x as on March 31, 2019. The company has achieved total operating income of Rs.128.81 crore in Q1FY21 (Q1FY20: Rs.195.92 crore).

#### ***Susceptibility to foreign exchange rate fluctuations***

As substantial portion of GFL's income is generated through the export market (FY20: 29% of sales; PY: 39%), thereby the company is exposed to foreign exchange fluctuation risk. However, GFL has some amount of natural hedge 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 FY20, the net gain of the company on account of exchange rate fluctuation is Rs.1.78 crore (PY: Rs.2.23 crore).

#### ***Volatility in the raw material prices***

GFL derives majority of income from the sale of cotton yarn (FY20: 45% 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 favourable position vis-à-vis other countries.

#### ***Liquidity: Adequate***

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs.2.45 crore as on March 31, 2020. Its capex requirements are modular and expected to be funded using debt of Rs.12 Crore for which it has sufficient headroom. Its bank limits are utilized to the extent of 88% for past 12 months ending June 30, 2020, supported by above unity current ratio. Operating cycle stood of close to 94-110 days. The company provides a credit period of around 45-51 days to its customers. However, the company gets credit period of around 25-30 days from its suppliers. The company generally maintains inventory of 80-88 days. Further the GFL has availed moratorium for its debt obligation under the COVID-19 regulatory package announced by RBI, However same has now been paid off by the company till the month of July 2020.

**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 34 years in textile industry

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	810.6	790.63
PBILDT	53.89	61.74
PAT	-3.49	5.7
Overall gearing (times)	1.61	1.68
Interest coverage (times)	1.61	1.87

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable**Any other information:** Not Applicable**Rating History for 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	-	-	-	207.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	62.17	CARE A3
Fund-based - LT-Term Loan	-	-	March 2024	37.83	CARE BBB-; Stable

**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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	207.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (03-Oct-19)	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	62.17	CARE A3	-	1)CARE A3 (03-Oct-19)	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	37.83	CARE BBB-; Stable	-	1)CARE BBB-; Stable (03-Oct-19)	1)CARE BBB-; Stable (03-Oct-18) 2)CARE BBB-; Stable (03-Apr-18)	1)CARE BBB-; Stable (21-Apr-17)

**Annexure 3: Complexity level of various instruments rated for this company**

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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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