



## Press Release

### General Polyfilms Private Limited

#### Revised

July 21, 2023

#### Ratings

| Instrument / Facility      | Amount (Rs. crore) | Previous Ratings   | Current Ratings#  | Rating Action  | Complexity Indicator |
|----------------------------|--------------------|--|---|--|----------------------|
| Long Term Bank Facilities  | 315.00             | IVR BB-/Stable (IVR Double B Minus, with Stable Outlook) | IVR BBB-(CE*)/Stable (IVR Triple B Minus, CE with Stable Outlook) | Rating revised to <b>Supported:</b> IVR BBB-(CE*)/Stable from <b>Unsupported:</b> IVR BB/Stable^ | Complex              |
| Short Term Bank Facilities | 10.00              | IVR A4 (IVR A Four)                                      | IVR A3 (CE) (IVR A Three, CE*)                                    | Rating revised to <b>Supported:</b> IVR A3 (CE)* from <b>Unsupported:</b> IVR A4^                | Complex              |
| <b>Total</b>               | <b>325.00</b>      | <b>Rupees Three Hundred Twenty Five Crore Only</b>       |   |  |                      |

\*Credit Enhancement (CE) rating is based on irrevocable and enforceable corporate guarantee given by General Petrochemicals Private Limited and General Filaments Private Limited (part of General Group) to the lenders of General Polyfilms Private Limited for the sum not exceeding Rs. 325.00 crore.

# Rating approach revised to Credit Enhancement (CE) from standalone rating, to align with the RBI guidance note on the CE ratings dated April 22, 2022, and FAQ on July 26, 2022.

^Unsupported rating does not factor in the corporate guarantee given by General Petrochemicals Private Limited and General Filaments Private Limited.

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has revised the long-term rating to IVR BBB- (CE) with a Stable outlook and short-term rating of IVR A3 (CE) for the bank loan facilities of General Polyfilms Private Limited (GPPL). The revision in rating of GPPL takes into account latest RBI guidelines on "Credit enhancement (CE)" ratings.

The rating of the above bank loan facilities of GPPL derives strength from the irrevocable and enforceable corporate guarantee given by General Petrochemicals Private Limited and General Filaments Private Limited which covers entire rated amount. This support results in enhancement of rating of said facility to IVR BBB- (CE)/Stable (IVR Triple B, CE with Stable



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Outlook)/IVR A3 (CE) (IVR A Three, CE) against the unsupported rating of IVR BB/Stable/A4 (IVR Double B, with Stable Outlook/IVR A Four).

The rating continues to draw comfort from the experienced promoters and management, modest projected scale of operations supported by LOIs and captive consumption, comfortable projected financial risk profile and comfort from corporate guarantee.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes GPPL's business risk profile will be maintained over the medium term as it has signed LOI's with clientele which provides revenue visibility.

IVR has principally relied on the consolidated audited financial results of GPPL upto 31 March 2023 and projected financials for FY2024, FY2025 and FY2026, and publicly available information/ clarifications provided by the firm's management.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Significant and sustained improvement in the scale of operations leading to improvement in profitability margin.
- Significant and sustained improvement in liquidity along with timely implementation of project without any overruns

#### **Downward Factors**

- Delay in implementation of project from assignment of the rating,
- Lower than expected operating performance leading to a significant decline in margins

### **Adequacy of credit enhancement structure**

For assigning the ratings, IVR has assessed the attributes of the corporate guarantee issued by General Petrochemicals Private Limited and General Filaments Private Limited in favour of lenders who have extended the said facilities. The corporate guarantee is legally enforceable, irrevocable, and unconditional and covers the entire amount and tenor of the rated facilities and has a structured payment mechanism defining invocation and payment timelines. The guarantor's capability to support the guaranteed amounts is found to be in line with credit profile connoted by the credit ratings assigned.

### **Transaction Structure**

1. T being scheduled date of payment
2. The Lender will invoke the bank guarantee within T-1 day in case of shortfall
3. Payment by the guarantor will be made on (T) day



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**Infomerics will consider T as its legal final maturity for the purpose of recognition of default**

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Experienced promoters and management:**

GPPL is part of General Group, which is managed by Mr. Mohammad Umar General and his three sons. The promoters of the company have more than three decades of experience in textile business. Mr. Mohammad Juned Umar General has been doing research activities in the flexible packaging business for the past 2 years and have met with many players of the flexible packaging industry which has helped him to gain insights of the industry. The company has identified the key technical and managerial team of professionals to look after the project implementation and operations of the company.

- **Modest projected scale of operations supported by LOIs and captive consumption:**

The commercial operation date is estimated to be April 2024 and the company is projecting a revenue of Rs. 420.87 crore in FY2025 which is projected to grow by 17% and reach Rs. 493.70 crore by the end of FY2028. As per the TEV report, the company have received LOI from domestic and foreign consumers for both BOPET and Metallized films of 6,245 MT per month. The total installed capacity is 5850 MT per month for both BOPET and Metallized film. Currently the LOI is approximately 7% higher than the total installed capacity of the company, which gives comfort towards achievability of projected revenue. Also, as discussed with management, approximately 40-45% of the total processed yarn will be used for captive consumption, which gives a support to the revenue generation ability of GPPL.

- **Comfort from corporate guarantee:**

General Petrochemical Private Limited, a part of General group, has provided an irrevocable and enforceable corporate guarantee to the lenders of General Polyfilms Private Limited for sum not exceeding Rs. 325.00 crore. The total operating income of the guarantor stood at Rs. 67.55 crore along with the PAT of Rs. 2.84 crore in FY2023 (Provisionals). The overall gearing ratio is moderate at 1.66x in FY2023 (Provisional). The coverage ratios are satisfactory with an interest coverage ratio of 3.18x and debt service coverage ratio of 1.10x in FY2023 (Provisional).

- **Comfortable projected debt protection metrics and financial risk profile:**

Capital structure is projected to be moderate with a tangible net worth of Rs. 150 crore which is expected to increase to Rs. 191.85 crore by FY2027 on account of retention of profits. The debt protection metrics is projected to be comfortable with an overall gearing



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ratio of 2.06x, TOL/ATNW of 2.16x, in FY2025. The total debt to GCA of 6.50 years in FY2025 is considered comfortable in comparison to the proposed tenure of term loan. The coverage metrics will also be comfortable with an interest coverage ratio of 2.54x and debt service coverage ratio of 2.00x in FY2025. In FY2023 the company infused equity to the tune of Rs. 83.45 crore and unsecured loan of Rs. 3.67 crore. As on 30<sup>th</sup> June 2023 the company has infused equity to the tune of Rs. 102.40 crore and unsecured loan of Rs. 2.33 crore and secured term loan Rs. 129.93 crore (partially drawn).

### Key Rating Weaknesses

- **Project implementation risk:**  
Currently the project is under implementation stage. The company has acquired the land from Maharashtra Industrial Development Corporation (MIDC) for a proposed project. The company has identified the suppliers of the plant and machinery and received quotations from the suppliers and estimates for the civil construction works. However, the factory development work has started, and the company has incurred Rs. ~232.92 crore (including LC opened for machineries which will be further converted to term loans) on the same (Approximately 47% of the total project cost is incurred till 30<sup>th</sup> June 2023). The company has also appointed Tata Consulting Engineers Limited as a project consultant for smooth function of their project. Considering the pending activities, it is estimated that commercial production of the project would commence from April 2024. However, any delay in obtaining all necessary / statutory approvals, completion of civil works and procurement of all critical plant and machineries will lead to time and cost overrun and impact the implementation schedule.
- **Exposure of profitability to fluctuation foreign exchange and raw material prices:**  
The company will import major plant and machineries from Germany. Unfavorable fluctuation in exchange rate may affect the project Cost. Also, if the Company plans to export its products, it will be subject to exchange rate fluctuation. The major raw material required are Polyethylene Terephthalate (PTA) Bright Chips. The price of raw materials is volatile in nature, being petroleum products and therefore any adverse movement in prices will impact the profitability margins.
- **Intense competition:**  
GPPL is likely to face intense competition from existing reputed international and domestic players, which limits its pricing flexibility and bargaining power with customers and suppliers. This leads to pressure on its revenues and margins.



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**Analytical Approach:** For arriving at the credit enhancement (CE) ratings, IVR has analysed the credit profile of General Petrochemical Private Limited provider of irrevocable and unconditional corporate guarantee to the bank facilities aggregating to Rs.325 crore of General Polyfilms Private Limited (GPPL). IVR has analysed GPPL's credit profile by considering the consolidated financial statements of General Petrochemical Private Limited, General Polytex Private Limited and GPPL collectively referred as General Group. The consolidation is in the view of similar line of business, common management, and in between strong operational and financial linkages.

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Criteria for Assigning Rating Outlook](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Rating Methodology for Parent and Group Support](#)

[Criteria for Consolidation](#)

### **Liquidity – Adequate**

The company is projected to achieve the commercial operations date (COD) by April 2024. After attaining the COD, the projected gross cash accruals of the company will be at Rs. 58.8 crore, Rs. 71.31 crore and Rs. 73.41 crore in FY2025, FY2026 and FY2027, respectively, as against the debt repayments obligations amounting to Rs. 13 crore, Rs. 32 crore and Rs. 39 crore for FY2025, FY2026 and FY2027, respectively. The projected interest coverage ratio (ISCR) will be at 2.54x for FY2025, which is further expected to improve to 3.44x by FY2027, the company's interest servicing capability is also considered comfortable. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

### **About the company**

General Polyfilms Private Limited (GPPL) was incorporated in September 2020. It is a part of General Group. The company is currently managed by Mohamad Umar General, Director and his three sons namely Mohamad Amin Umar General, Mohamad Juned Umar General and Mohamad Zaid Umar General. The company currently setting up Biaxially Oriented Polyethylene Terephthalate (BOPET) film line with a production capacity of 54,000 metric tonne per annum (MTPA) and metalized film line with a production capacity of 16,200 MTPA in Mauze Nandvan, Tal Navapur, District Nandurbar, Maharashtra. The commercial operation date of these production lines is April 2024.





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The General group activities are currently managed in two companies i.e., General Polytex Private Limited and General Petrochemicals Private Limited. The group is engaged in offering a wide range of textured yarns of polyester filaments and grey fabrics.

### Financials (Consolidated):

| (Rs. crore)                        |            |             |
|------------------------------------|------------|-------------|
| For the year ended as on           | 31-03-2022 | 31-03-2023  |
|                                    | Audited    | Provisional |
| Total Operating Income             | 188.99     | 196.26      |
| EBITDA                             | 26.22      | 28.18       |
| PAT                                | 6.94       | 11.12       |
| Total Debt                         | 84.29      | 109.33      |
| Analyzed Tangible Network          | 141.88     | 218.96      |
| EBITDA Margin (%)                  | 13.87      | 14.36       |
| PAT Margin (%)                     | 3.67       | 5.66        |
| Overall Analyzed Gearing Ratio (x) | 0.47       | 0.38        |

### Financials (Standalone):

| (Rs. crore)               |            |            |
|---------------------------|------------|------------|
| For the year ended as on  | 31-03-2022 | 31-03-2023 |
|                           | Audited    | Audited    |
| Total Operating Income    | -          | -          |
| EBITDA                    | -          | -          |
| PAT                       | -          | 0.01       |
| Total Debt                | 0.62       | 8.77       |
| Tangible Network          | 46.43      | 83.45      |
| EBITDA Margin (%)         | -          | -          |
| PAT Margin (%)            | -          | 1.71       |
| Overall Gearing Ratio (x) | 0.01       | 0.11       |

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not Applicable



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### Rating History for last three years:

| Sr. No. | Type of Facilities | Current Ratings (Year 2023-24) |                                |  | Rating History for the past 3 years                    |  |   |   |
|---------|--------------------|--------------------------------|--------------------------------|--|--|--|---|---|
|         |                    | Tenure                         | Amount outstanding (Rs. Crore) | Rating   | Date(s) & Rating(s) assigned in 2022-23<br>20 Jan 2023 | Date(s) & Rating(s) assigned in 2022-23<br>20 May 2022 | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 |
| 1.      | Fund Based         | Long Term                      | 315.00                         | IVR BBB-/Stable (CE)<br>Unsupported: IVR BB/Stable | IVR BB-/Stable   | IVR BBB-/Stable (CE)<br>Unsupported: IVR BB-/Stable    | -                                       | -                                       |
| 2.      | Non-Fund Based     | Short Term                     | 10.00                          | IVR A3 (CE)<br>Unsupported: IVR A4                 | IVR A4   | IVR A3 (CE)<br>Unsupported: IVR A4                     | -                                       | -                                       |

### Name and Contact Details of the Rating Analyst:

|   |   |
|---|---|
| Name: Mr. Shivam Bhasin<br>Tel: (011) 45579024<br>Email: <a href="mailto:shivam.bhasin@infomerics.com">shivam.bhasin@infomerics.com</a> | Name: Mr. Om Prakash Jain<br>Tel: (011) 45579024<br>Email: <a href="mailto:opjain@infomerics.com">opjain@infomerics.com</a> |
|---|---|

### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).



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### Annexure 1: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|------------------|------------------|------------------|---------------|------------------------------|--------------------------|
| Term Loans       | -                | -                | March 2032    | 315.00                       | IVR BBB-(CE)/Stable      |
| Bank Guarantee   | -                | -                | -             | 10.00                        | IVR A3 (CE)              |

### Annexure 2: List of companies considered for consolidated analysis:

| S.No | Name of Entities                       | Extent of Consolidation |
|------|--|-------------------------|
| 1.   | General Polyfilms Private Limited      | 100%                    |
| 2.   | General Petrochemicals Private Limited | 100%                    |
| 3.   | General Polytex Private Limited        | 100%                    |

**Annexure 3: Facility wise lender details** <https://www.infomerics.com/admin/prfiles/Len-GPPL-21Jul-22.pdf>

### Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

| Particulars             | Details   |
|-------------------------|---|
| Financial Covenants     | Minimum Gross DSCR: 1.20x<br>Minimum ISCR: 2.00x<br>Debt to EBITDA: <=3.50x   |
| Non-Financial Covenants | <b>Primary Security:</b> Hypothecation of entire Plant and Machinery of General Polyfilms Private Limited on paripassu basis.<br><b>Collateral Security:</b> Immovable properties (Residential and commercial) belonging to Mumtazbanu Mohmed Umar General<br><b>Personal Guarantee:</b> Mohmed Umar General, Mohmed Amin General, Mohmed Juned General, Mohmed Zaid General and Mumtazbanu Mohmed Umar General<br><b>Corporate Guarantee:</b> General Petrochemicals Private Limited and |





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|  |   |
|--|---|
|  | General Filaments Private Limited<br><b>Lead Bank:</b> UBI with limits under consortium banking<br><b>ROI and Margin:</b> 1Y MCLR+1.80% and 25% margin for BG<br><b>COD:</b> April 2024 |
|--|---|

Link to previous press release:

<https://www.infomerics.com/admin/uploads/pr-general-polyfilms-21jul23.pdf>

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).