



Press Release

General Polyfilms Private Limited

May 06, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating	Rating Action
1.	Bank Facilities- Long Term (Proposed)	315.00	Provisional IVR BBB- (CE)/Stable Outlook (Provisional IVR Triple B Minus (CE) with Stable Outlook)	Assigned
2.	Bank Facilities- Short Term (Proposed)	10.00	Provisional IVR A3 (CE) (Provisional IVR A Three (CE))	Assigned
	Total	325.00		

** The credit enhancement (CE) rating is backed by corporate guarantee to be given by General Petrochemicals Private Limited for the rated facilities.*

Details of Facilities are in Annexure 1

Detailed Rationale

The assigned rating takes into account the experienced promoters and key management personnel, modest projected scale of operations, comfort from corporate guarantee and comfortable financial risk profile and debt protection metrics. However, these rating strengths continues to be constrained by project implementation risk, exposure of profitability to fluctuation in foreign exchange and raw material prices and stiff competition from organised and unorganised players.

The ratings assigned to the proposed bank facilities of General Polyfilms Private Limited also takes into account irrevocable and unconditional corporate guarantee from General Petrochemicals Private Limited. This corporate guarantee results in credit enhancement in the rating of the said instruments to **Long term- Provisional IVR BBB- (CE)/Stable Outlook (Provisional IVR Triple B Minus (CE) with Stable Outlook) and Short Term- Provisional IVR A3 (CE) (Provisional IVR A Three (CE))** against the unsupported rating of **Long Term:**



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Provisional IVR BB-/ Stable Outlook (Provisional IVR Double B Minus with Stable Outlook) and Short Term: Provisional IVR A4 (Provisional IVR A Four).

Key Rating Sensitivities:

Upward Factor:

- ✓ Significant and sustained improvement in operating performance leading to sustainable increase in profitability margins.
- ✓ Sustained and significant improvement in liquidity along with timely implementation of project without any overruns.

Downward factor:

- ✓ Delay in implementation of project and financial closure within 6 months from assignment of rating.
- ✓ Lower-than-expected operating performance leading to a significant decline in margins.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and key managerial personnel

General Polyfilms Private Limited is a part of General Group, which is managed by Mohd. Umar General and his three sons. The promoters of the company have 30+ years of experience in the textile business. Mohd. Juned Umar General has been doing research activities in Flexible Packaging business for the past 2 years. He has met and interacted 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 2023 and the company is projecting a revenue of Rs. 420.88 Cr. in FY24 which is projected to grow by 17% and reach Rs. 493.70 Cr. by the end of FY27. As per the TEV report, the company have received LOI from domestic



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and foreign consumers for both BOPET and Metallised films of 6,245 MT per month. The total installed capacity is 5850 MT per month for both BOPET and Metallised film. Currently the LOI is approximately 7% higher than the total installed capacity of the company, which gives a 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 Pvt. Ltd., a part of General group, will provide corporate guarantee to General Polyfilms Pvt. Ltd. as mentioned in the in-principal approval from lenders. The total operating income of the guarantor stood at Rs. 55.57 Cr. along with the PAT of Rs. 2.27 Cr. in FY20. The overall gearing ratio is comfortable at 1.06x in FY20. The coverage ratios are also comfortable with an interest coverage of 3.03x and debt services coverage ratio of 1.30x in FY20. The guarantor also has unutilized working capital limit amounting to Rs. 8.00 Cr.

Comfortable projected financial risk profile and debt protection metrics

Capital structure is projected to be moderate with a tangible net worth of Rs. 154.96 Cr. which is expected to increase to Rs. 216.10 by FY27 on account of retention of profits. The debt protection metrics is projected to be comfortable with an and overall gearing ratio of 2.47x, TOL/TNW of 2.58x, in FY24. The total debt to GCA of 6.5 years is considered comfortable in comparison to the proposed tenure of term loan i.e. 9 years. The coverage metrics will also be comfortable with an interest coverage ratio of 2.55 and debt service coverage ratio of 1.90 in FY24.

Key Rating Weaknesses

Project implementation risk

Currently the project is in nascent stage. The company was incorporated in Sep 2020. As of Feb 2021, the Company has entered into lease agreement with existing owner i.e. Smt Mumtazbanu Mohmed Umar General for proposed project. The Company has identified the



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suppliers of the plant and machineries and received quotations from the suppliers and estimates for the civil construction works. However, the land development and factory building work is not yet started. Considering the pending activities, it is estimated that commercial production of the project would commence from Apr 2023. 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 in foreign exchange and raw material prices

The Company will import major plant and machineries from Germany. Unfavourable fluctuation in exchange rate may affect the project Cost. Also, 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.

Stiff competition from organised and unorganised players

GPPL is likely to face stiff 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.

Analytical Approach: Credit Enhancement (CE) rating: Assessment of the credit profile of General Petrochemical Private Limited, provider of irrevocable and unconditional corporate guarantee to the bank facilities aggregating to Rs. 325.00 crore of General Petrochemical Private Limited.

Unsupported rating: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Rating Methodology for Structure Debt Transactions (Non Securitisation transaction)

Financial Ratios & Interpretation (Non-Financial Sector)



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Liquidity - Adequate

The company is projected to achieve the COD by April 2023. The BEP is achieved at 95.84% in FY 24 and 86.77% in FY 25 and thereafter it improves with increment in capacity utilization. After attaining the COD in FY24, the projected gross cash accruals of the company will be at Rs. 58.87 Cr., Rs. 71.31 Cr and Rs. 73.41 Cr. in FY24, FY25 and FY26, respectively, as against the debt repayments obligations amounting to Rs. 13 Cr., Rs. 32 Cr. and Rs. 39 Cr. for FY24, FY25 and FY26, respectively. With projected interest coverage ratio will be at 2.55x for FY24, which is further expected to improve to 3.44x by FY26, the company's interest servicing capability is also considered comfortable. The current ratio is also projected to be moderate at 1.27x in FY24.

About the Entity

General Polyfilms Pvt. Ltd. is a part of General group. Mohd. Umar General and his three sons namely Mohd. Amin Umar General, Mohd. Juned Umar General and Mohd. Zaid Umar General are the directors of the company. The promoters proposes to install BOPET Film Line with production capacity of 54000 MT p.a. & Metallised Film Line with production capacity of 16200 MT p.a.

The Group activities are managed in two Companies i.e. M/s. General Polytex Private Limited and General Petrochemical Private Limited. The Group mainly produces Polyester fabric for export purpose.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2024^	31-03-2025^
	Projected	Projected
Total Operating Income	420.88	462.78
EBITDA	96.97	106.87
PAT	4.96	17.40
Total Debt	382.57	350.57
Tangible Net worth	154.97	172.38
Adjusted Tangible Networth	185.54	202.95
EBITDA Margin (%)	23.04	23.09
PAT Margin (%)	1.18	3.76



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Overall Gearing Ratio (x) on Book TNW	2.47	2.03
Overall Gearing Ratio (x) on Net Adjusted TNW	1.90	1.58

*Classification as per Infomerics' standards

^ COD of the project is estimated to be April 2023. Thus, the company will start generating revenue from FY24 onwards.

Financials of Corporate Guarantor: General Petrochemicals Pvt. Ltd.

(Rs. crore)		
For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	60.67	55.57
EBITDA	6.69	6.84
PAT	1.62	2.27
Total Debt	32.18	23.84
Tangible Net worth	20.14	22.41
Adjusted Tangible Networkth	22.37	27.87
EBITDA Margin (%)	11.02	12.31
PAT Margin (%)	2.67	4.08
Overall Gearing Ratio (x) on Book TNW	1.60	1.06
Overall Gearing Ratio (x) on Net Adjusted TNW	1.34	0.66

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long term Fund Based Facilities Term Loan	Long Term	315.00	Provisional IVR BBB- (CE)/Stable Outlook (Provisional IVR Triple B Minus (CE) with Stable Outlook)	-	-	-



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
2.	Short term Non-Fund Based Facilities (Bank Guarantee)	Long Term	10.00	Provisional IVR A3 (CE) (Provisional IVR A Three (CE))	-	-	-

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 www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long term Fund Based Facilities Term Loan	-	-	-	315.00	Provisional IVR BBB- (CE)/Stable Outlook (Provisional IVR Triple B Minus (CE) with Stable Outlook)
Short term Non-Fund Based Facilities (Bank Guarantee)	-	-	-	10.00	Provisional IVR A3 (CE) (Provisional IVR A Three (CE))

Annexure 2: Lender's Information

<https://www.infomerics.com/admin/prfiles/Lenders-General-polyfilms-pvt-ltd-6-may-21.pdf>