General Polyfilms Private Limited

January 20, 2023

Ratings

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

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

**Rating was based on irrevocable and enforceable corporate guarantee given by* General Petrochemicals Private Limited *to the lenders of* General Polyfilms Private Limited.

^*Unsupported rating does not factor in the corporate guarantee given by* General Petrochemicals 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 BB- with a Stable outlook and short-term rating to IVR A4 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 continues to draws 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 standalone audited financial results of GPPL upto 31 March 2022 and projected financials for FY23, FY24 and FY25, 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

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and management:**
  GPPL is part of General Group, which 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 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. 420.88 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 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 Private Limited, a part of General group, has provided an irrevocable and enforceable corporate guarantee to the lenders of General Polyfilms Private Limited for the sum not exceeding Rs. 325.00 crore. The total operating income of the guarantor stood at Rs. 53.18 crore along with the PAT of Rs. 2.24 crore in FY2022. The overall gearing ratio is comfortable at 0.65x in FY2022. The coverage ratios are satisfactory with an interest coverage ratio of 3.48x and debt service coverage ratio of 1.11x in FY2022.

- **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. 216.10 by FY2028 on account of retention of profits. The debt protection metrics is projected to be comfortable with an overall gearing ratio of 2.47x, TOL/TNW of 2.38x, in FY2025. The total debt to GCA of 5.98 years 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 2.55x and debt service coverage ratio of 1.90x in FY2025. In 9MFY23 the company has infused equity to the tune of Rs. 83.75 crore and unsecured loan of Rs. 4.71 crore.

Key Rating Weaknesses

- **Project implementation risk:**
  Currently the project is in nascent stage. The company has entered into lease agreement with existing owner i.e. Ms. Mumtazbanu Mohmed Umar General for proposed project. The company has identified the suppliers of the plant and machineries 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. ~66.51 crore on the same (Approximately 13.42% of the total project cost is incurred till 31st December 2022). 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, 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.

Analytical Approach: For arriving at the ratings, IVR has analysed GPPL's credit profile by considering the standalone financial statements of the company. IVR has revised the approach from CE to Standalone after taking into consideration the latest RBI guidelines on credit enhancement ratings and non-compliance to the recent RBI circular.

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Criteria for Assigning Rating Outlook
Financial Ratios & Interpretation (Non-Financial Sector)

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. 58.87 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 2.55x 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 Tadkeshwar, District Surat, Gujarat. The commercial operation date of these production lines is April 2024.

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 (Standalone):

(Rs. crore)

For the year ended as on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	-	-
EBITDA	-	-
PAT	-	-
Total Debt	0.57	0.62
Tangible Networth	0.01	46.43
EBITDA Margin (%)	-	-
PAT Margin (%)	-	-
Overall Gearing Ratio (x)	57.00	0.01

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2022-23)				Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned 20 May 2022	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based	Long Term	315.00	IVR BB-/Stable	IVR BBB-/Stable (CE) Unsupported: IVR BB-/Stable	-	-	-
2.	Non-Fund Based	Short Term	10.00	IVR A4	IVR A3 (CE) Unsupported: IVR A4	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit 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 BB-/Stable
Bank Guarantee	-	-	-	10.00	IVR A4

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-General-Polyfilms-jan23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.