



Press Release

United Polyfab Gujarat Limited

July 25, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	83.76 (reduced from 100.75)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Reaffirmed/ Assigned	Simple
Short Term Bank Facility	4.50	IVR A3 (IVR A three)	IVR A3 (IVR A three)	Reaffirmed/ Assigned	Simple
Total	88.26 (Eighty eight crore and twenty six lakh only)		-		

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has reaffirmed the ratings assigned to the existing bank facilities and assigned ratings to the enhanced bank facilities of United Polyfab Gujarat Limited (UPGL) on the back of strengths derived from the extensive experience of promoters in textile industry, moderate capital structure and debt protection parameters, increase in topline and set up of captive power plant and easy availability of raw material. However, the ratings are constrained on account of the thin profit margin, susceptibility of profitability to fluctuations in key raw material prices and exposure to intense competition.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- Improvement in the capital structure and debt protection metrics
- Effective working capital management with improvement in operating cycle and liquidity.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators.



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- Deterioration in the capital structure with increase in overall gearing ratio and deterioration in debt protection metrics.
- Withdrawal of subordinated unsecured loans and/or moderation in the capital structure with deterioration in overall gearing.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of promoters in textile industry**

The Mittal family, promoters of the company have been in the textile business for almost 20 years. Extensive business experience of the promoters has enabled the establishment of healthy relationship with suppliers and dealers, which helps in smooth functioning of business.

- **Moderate capital structure and debt protection parameters**

Total debt of the company declined to Rs. 106.09 crore as on March 31, 2023, from Rs. 113.37 crore as on March 31, 2022, due to decline in long term debt, bank borrowings and unsecured loan. The total debt increased to Rs. 117.49 crore as on March 31, 2024, due to addition of term loan on account of wind mill project and increase in term loan for working capital. The company's adjusted net worth increased to Rs. 87.63 crore as on March 31, 2024, compared with Rs. 71.69 crore as on March 31, 2023, and Rs. 63.11 crore, due to shares issued which bought in funds of Rs. 12.4 crore along with accretion of profit to equity. To arrive at the net worth, Infomerics has considered Rs. 8.00 crore of unsecured loans from promoters/ directors as quasi equity as the same is subordinated to the bank facilities. Considering the quasi equity the long-term debt equity ratio stood at 0.98 times as on March 31st, 2024, as compared to 1.25 times as on March 31, 2023 (1.52 times as on March 31, 2022). The overall gearing ratio improved to 1.34 times as on March 31st, 2024, as compared to 1.48 times as on March 31, 2023 (1.80 times as on March 31, 2022). TOL/TNW was 1.77x on March 31, 2024, as compared to 1.76 times in as on March 31, 2023. Interest coverage ratio was 3.47 times in FY24 (refers to period between April 1, 2023 to March 31, 2024), compared with 3.25 times in FY23 (refers to period between April 1, 2022 to March 31, 2023), and DSCR deteriorated to 1.02 times in FY24 compared with 1.04 times in FY23.

- **Increase in topline and set up of captive power plant**



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The company reported TOI of Rs. 661.07 crore in FY22 (refers to period between April 1, 2021 to March 31, 2022), Rs. 652.60 crore in FY23 and Rs. 908.48 crore in FY24. TOI increased by 39.21% y-o-y in FY24. The increase is on account of increase in sales of yarn. Going forward, Infomerics believes the profit of the company is likely to increase given that the company has set up a wind mill project of 2.7 MW capacity in FY24 which will be operational by July 2024 end/August 2024 beginning. Further, the company is in the process of setting up another 10 MW solar power plant. The 10MW solar power plant is yet to be set up but it is expected to get started by end of July 2024 and will be completed by November 2024.

- **Easy availability of raw material**

The company has easy access to raw materials as its manufacturing plant is located in Ahmedabad (Gujarat), which is cotton growing belt of India. Favourable location of the plant also enables the company to save on logistics costs.

Key Rating Weaknesses

- **Thin profit margin**

Historically, the profit margin of the company has remained thin. EBIDTA margin declined to 3.45% in FY24 and 4.38% in FY23 from 4.93% in FY22, as due to low value addition. Likewise PAT margin declined from 1.42% in FY22, 0.84% in FY23 and to 0.73% in FY24. Going forward the PAT margins are likely to improve primarily due to the usage of captive power which will save power cost drastically.

- **Profitability susceptible to fluctuations in key raw material prices**

The company's profitability is vulnerable to sharp fluctuations in raw material prices, which affects sales realisations. Cotton prices have been volatile in recent years and thus its profitability remains susceptible to any adverse movement in cotton and yarn prices. However, the risk is mitigated to an extent on account of order-backed raw material procurement policy.

- **Exposure to intense competition**

The spinning industry is highly fragmented and competitive with the presence of large number of organised and unorganised players. Intense industry competition coupled with



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commoditised nature of the products limits the company's pricing flexibility and bargaining power.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria of assigning rating outlook](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company is adequate marked by its expected gross cash accruals as against debt obligations from FY25 to FY27. Moreover, the company's bank limits are utilized to the extent of ~23% on an average for the twelve months period ended June 2024, giving sufficient liquidity cushion.

About the company

Incorporated in November 2010, United Polyfab Gujarat Limited is engaged in the spinning of cotton yarn. Its manufacturing unit is located in Timba, Dascroi, Ahmedabad. The company has an installed yarn spinning capacity of 40,000 spinning spindles. The company is listed on NSE. The company has 1 MW of solar power plant at its factory site, and it implemented a wind mill project of 2.7 MW capacity in FY24

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	652.60	908.48
EBITDA	28.61	31.31
PAT	5.48	6.61
Total Debt	106.09	117.49
Tangible Net Worth	71.69	87.63
EBITDA Margin (%)	4.38	3.45
PAT Margin (%)	0.84	0.73



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Overall Gearing Ratio (x)	1.48	1.34
Interest Coverage (x)	3.25	3.47

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Brickwork Ratings continued to keep the rating of UPGL under the Issuer Non-Cooperating category on account of inadequate information for undertaking review and lack of management cooperation, as per the Press Release dated March 20, 2024.

Acuite Ratings continued to keep the rating of UPGL under the Issuer Non-Cooperating category on account of inadequate information for undertaking review and lack of management cooperation, as per the Press Release dated June 7, 2023.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024- 2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-2024 (Jul 3, 2023)	Date(s) & Rating(s) assigned in 2022-2023 (January 31, 2023)	Date(s) & Rating(s) assigned in 2021-2022 (February 21, 2022)
1.	Term Loans	Long Term	43.33	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB/ Negative ISSUER NOT COOPERATING*	IVR BB+/ Stable
2.	GECL	Long Term	10.43	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB/ Negative ISSUER NOT COOPERATING*	IVR BB+/ Stable
3.	Cash Credit	Long Term	30.00	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB/ Negative ISSUER NOT COOPERATING*	IVR BB+/ Stable
4.	Bank Guarantee	Short Term	4.50	IVR A3	IVR A3	IVR A4 ISSUER NOT COOPERATING*	IVR A4+

**Issuer not cooperating, based on best available information*



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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 and definition of ratings please visit www.infomerics.com.

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Annexure 1: Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	-	May 2027	6.99	IVR BBB-/ Stable
Term Loan 2	-	-	-	May 2028	13.82	IVR BBB-/ Stable
Term Loan 3	-	-	-	July 2027	1.75	IVR BBB-/ Stable
Term Loan 4	-	-	-	August 2028	2.88	IVR BBB-/ Stable
Term Loan 5	-	-	-	March 2026	10.89	IVR BBB-/ Stable
Term Loan 6	-	-	-	March 2029	7.00	IVR BBB-/ Stable
GECL 1	-	-	-	May 2026	5.43	IVR BBB-/ Stable
GECL 2	-	-	-	August 2028	5.00	IVR BBB-/ Stable
Cash Credit	-	-	-	-	30.00	IVR BBB-/ Stable
Bank Guarantee	-	-	-	-	4.50	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-United-Polyfab-july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Name of the Security	Detailed Explanation
Financial Covenant	
i.	
ii.	
Non-financial Covenant	
i.	
ii.	

Annexure 4: List of companies considered for Combined analysis: NA

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.