



## Press Release

### United Polyfab Gujarat Limited

February 21, 2022

#### Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	113.00	IVR BB+/ Stable (IVR double B plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	5.50	IVR A4+ (IVR A four plus)	Assigned	Simple
<b>Total</b>	<b>118.50</b> <b>(One hundred</b> <b>eighteen crore</b> <b>and fifty lakh</b> <b>only)</b>			

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The ratings assigned to the bank facilities of United Polyfab Gujarat Limited (UPGL) derives strength from extensive experience of promoters in textile industry, leveraged capital structure and adequate debt protection parameters and easy availability of raw material. The ratings are, however, constrained by moderation in financial performance in FY21, cessation of eligibility under Government incentive scheme, profitability susceptible to fluctuations in key raw material prices and high competition.

#### Key Rating Sensitivities:

##### Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- 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.
- Deterioration in the capital structure and/or debt protection metrics and liquidity position.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

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

The promoters of the company have been in the textile business of nearly 30 years. Extensive business experience of the promoters with sound financial background supports the business risk profile of the company to a large extent.

- **Leveraged capital structure and adequate debt protection parameters**

The company's capital structure marked by overall gearing ratio moderated to 2.33x as on March 31, 2021, from 2.68x as on March 31, 2020 owing to decline in total debt. Long term debt equity improved to 2.33x as on March 31, 2021, from 2.59x as on March 31, 2020. The debt protection parameters of the company remained comfortable with interest coverage at 2.18x in FY21.

- **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

- **Moderation in financial performance in FY21**

In FY21, total operating income (TOI) stood at Rs. 209.86 crore in comparison to Rs. 264.35 crore in FY20, a y-o-y decline by ~20.6% as business operations were affected owing to covid-19 induced lockdown. However, with progressive easing of covid-19 related restrictions and revival in demand, UPGL reported improvement in its topline, which stood at Rs. 307.99 crore during H1 FY22 vis-à-vis Rs. 60.83 crore. The sustainability of such an improvement in the topline and the profits remain to be seen and will be a rating metric, going forward.



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- **Cessation of eligibility under Government incentive scheme**

The company was entitled to benefit from incentive schemes for the textile units from the Central and state governments such as interest subsidy and electric subsidy for a period of five years (till December 2021). The cessation of such subsidies is likely to increase the overhead expenses and adversely impact the profitability of the company.

- **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 the company's 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.

- **High 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 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 \(Non- Financial Sector\)](#)

**Liquidity – Adequate**

The liquidity position of United Polyfab Gujarat Limited is adequate marked by its expected gross cash accruals as against debt obligations from FY22 to FY24. During last 12 months ending December 2021, average utilisation of bank borrowing was around ~9.5% indicating adequate liquidity buffer. Moreover, comfort can be derived from its comfortable current ratio of 2.12x as on March 31, 2021.



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### **About the Entity**

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.

### **Financials (Standalone):**

<b>For the year ended* / As on</b>	<b>31-March-20 (Audited)</b>	<b>31-March-21 (Audited)</b>
Total Operating Income	264.35	209.86
EBITDA	21.71	23.64
PAT	3.46	0.54
Total Debt	123.19	108.12
Tangible Net-worth	45.93	46.47
EBITDA Margin (%)	8.21	11.27
PAT Margin (%)	1.30	0.26
Overall Gearing Ratio (x)	2.68	2.33

*\*Classification as per Infomerics' standards*

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

Acuite Ratings and Research moved the rating of UPGL into the Issuer Non-Cooperating category as the company failed to submit data, information and undertakings for conducting surveillance & review as per the Press Release dated February 9, 2021.

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 November 8, 2021.

### **Any other information:**

### **Rating History for last three years:**



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loans	Long Term	94.26	IVR BB+/Stable	-	-	-
2.	GECL	Long Term	18.74	IVR BB+/Stable			
3.	Bank Guarantee	Short Term	5.50	IVR A4+	-	-	-

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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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### 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 Loan-1	-	-	FY26	14.99	IVR BB+/ Stable
Term Loan-2	-	-	FY27	3.11	IVR BB+/ Stable
Term Loan-3	-	-	FY28	22.77	IVR BB+/ Stable
Term Loan-4	-	-	FY28	13.30	IVR BB+/ Stable
Term Loan-5	-	-	FY29	11.07	IVR BB+/ Stable
Term Loan-6	-	-	FY29	8.02	IVR A4+
GECL-1	-	-	FY27	11.00	IVR BB+/ Stable
GECL-2	-	-	FY27	5.00	IVR BB+/ Stable
GECL-3	-	-	FY27	2.74	IVR BB+/ Stable
Cash Credit-1	-	-	-	7.00	IVR BB+/ Stable
Cash Credit-2	-	-	-	6.00	IVR BB+/ Stable
Cash Credit-3	-	-	-	8.00	IVR BB+/ Stable
Bank Guarantee-1	-	-	-	4.00	IVR BB+/ Stable
Bank Guarantee-2	-	-	-	1.50	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/United-Polyfab-lenders-feb22.pdf>

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





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**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](http://www.infomerics.com).

