

CMP: INR 33

Outlook: Positive

Stock Info

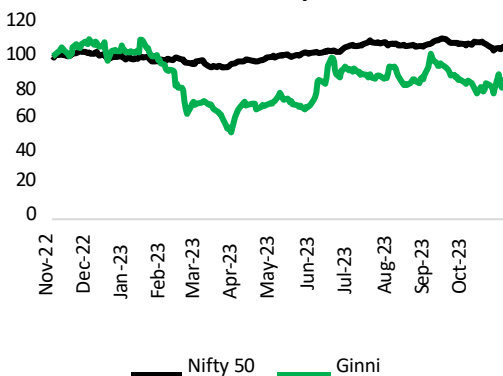
BSE	590025
NSE	GINNIFILA
Bloomberg	GINI IN
Reuters	GNNI.BO
Sector	Textiles and Apparels
Face Value (INR)	10
Mkt Cap (INR Bn)	2.86
52w H/L (INR)	37.85 / 16.05
Avg. Yearly Volume (in 000')	66

Shareholding Pattern %

(As on Sept, 2023)

Promoters	69.72
DIs	-
FIs	0.07
Public & Others	30.21

Ginni V/S Nifty 50



Source: Arihant Research, Company Filings

Ginni Filaments Ltd is a leading integrated manufacturer in India, specializing in cotton yarn, processed knit fabrics, and knit garments. Established in 1982, originally focused on cotton yarn production, the company expanded into knitting, dyeing, processing, and non-woven fabric manufacturing. With manufacturing units in Chhata, Noida, Haridwar, and a state-of-the-art facility in Panoli, Gujarat. Ginni Filaments has diversified its product offerings to include spun lace fabric wipes for personal hygiene and healthcare. In 2010, it underwent strategic expansions and amalgamations, incorporating entities like Ganesh Synthetics Pvt Ltd and Ginni Power Ltd, enhancing its overall business portfolio.

Key investment Highlights

- Ginni has the capacity to make 1.1 crore packets of wipes a month and plans to achieve more than 60% capacity utilization in the near future, (The Indian market for wipes is growing at 18 % annually).
- The company is strategically expanding its product portfolio to include liquids and cosmetics.
- The company owns the largest facility in India for making wet wipes. They produce various types, including Alcohol, Pharma, and Cosmetic Wipes.
- The company expresses anticipation for the next phase of growth in the wipes market, indicating a forward-looking strategy.

Upgradation in Value- Chain

- In 1990, Ginni Filaments Ltd. was commissioned to produce ultra fine combed cotton yarn.
- Once rooted in the traditional cotton yarn business, the company has elevated its market presence by introducing a range of new products, including Wet wipes, Intimate Hygiene wipes, Pure Eyelid wipes, liquids, and cosmetics, marking a strategic move up the value chain.
- These additions reflect the company's commitment to continuous innovation and improving their margins.

Largest wet wipe manufacturing facility in India

- Strategically located in Panoli, Gujarat, for efficient and cost-effective logistics to various geographical locations in India.
- The plant's location near the port enhances Ginni Filaments' export capabilities. This opens up new opportunities for global market penetration and expansion.
- The company has entered into the production of floor cleaning, disinfectant, and surface cleaning products in Attics Plant (Panoli).
- This facility is the largest wet wipes manufacturing facility in India with capabilities for alcohol, pharma, and cosmetic wipes.

Nonwoven and Wipe business

- Ginni Filaments is competitively positioned in the Spunlace Nonwoven and Wipe business.
- The strategic location of plants in Panoli, Gujarat, and Haridwar, Uttarakhand, offers significant logistic advantages.
- The company also develop nonwoven fabrics from recycled Polyester Staple Fibre (PSF).

Ginni Filaments’ evolution from traditional cotton yarns to fabrics and consumer products

The company started its growth journey by focusing exclusively on 100% combed cotton yarn and 100% export-oriented unit. Over time, it expanded by adding open-end yarn capacity with 1,680 Rotors and delving into knitted fabrics like Single Jersey, Interlock, Rib Terry, and Lycra, using advanced machinery. They imported state-of-the-art machinery from Thies & Santex for the global processing of knitted fabrics. In 2007, a modern facility in Panoli focused on technical textiles and nonwovens was established. The company vertically integrated by entering consumer wipes production from spunlace nonwoven fabrics. Actively involved in contract manufacturing for multinational hygiene companies, it has become a leading manufacturer of various wipes and sponge fabrics in India, offering products for household, baby, and patient care needs for numerous national and international brands.

Launches

Chlorhexidine Gluconate Bed Bath Towel, Intimate Hygiene wipes, Pure Eyelid wipes, liquids, and cosmetics.

Ultra-pure water wipes

- Ginni Filaments has started producing this product for Rondeyvoov Eurasia, under the brand name ‘Adore Baby Wipes’.
- This product is designed specifically for baby and infant skin with 99.9% water content.
- Ranks among the gentlest wet wipes in the market, ensuring safety for delicate baby skin.
- Underwent dermatological testing and is FDA-approved for added assurance.

PLI scheme for textiles

- The government has approved 64 applicants for the PLI scheme one of them being Ginni Filaments.
- The scheme is effective as of its September 2021 notification and will provide incentives for a period of five years, covering FY 2025-26 to FY 2029-30, with a budgetary outlay of INR 106.83 billion based on incremental turnover achieved during FY24-25 to FY28-29.

Strategic investment in advanced technology for enhanced efficiency and quality

- Ginni Filaments Ltd has strategically invested in cutting-edge technology to address key concerns such as process automation and the reduction of personnel workload
- The addition of state-of-the-art spinning machines was an addition to this segment.
- Installation of five Autoconer X-6 machines with 80 drums each from Saurer Group.
- Incorporation of LF4280/A speed frame with automatic tension control from Lakshmi Machine Works Ltd.

Opportunities and threats in the industry

- India is a major global producer of cotton and excels in manufacturing various fibers such as polyester, silk, viscose, and jute.
- The industry benefits from a highly trained and skilled workforce, taking advantage of competitive wage rates.
- The government has approved the PLI Scheme to promote MMF Apparel, MMF Fabrics, and Technical Textile Products.
- Challenges from reduced global demand for textiles due to the aftermath of Covid-19 and the prolonged Russia-Ukraine war.
- The application of GST creates complexities and adds to the industry’s operational challenges.

Capex Trend

Particulars	FY19	FY20	FY21	FY22	FY23
Capex	1,323.81	148.09	2,007.88	7,959.48	2,288.42

Business Segments

Yarn	50% of the yarn production is exported to international markets, including Europe, Bangladesh, and China, while the other 50% is dedicated to satisfying the quality-conscious demands of domestic customers.
Fabrics	The company produces 300 tons of diverse knitted fabrics monthly, including Single Jersey, Double Jersey, and flat knit with open-width and tubular width finishes.
Nonwovens Spun Lace	Ginni Nonwovens, based in Panoli, Gujarat, produces spunlace nonwoven fabrics with a yearly capacity of 12,000 metric tonnes. Specializing in roll goods for applications such as wet wipes and hygiene products. The company currently exports over 75% of its products globally.
Garments	Ginni has an annual production capacity of 10 million garments. The company creates mix-and-match styles to incorporate both knit and woven fabrics.
Ginni Filtration	Ginni NEO filters are designed to minimize water waste, high void volume, and high filtration efficiency.

In the recent period, the spinning and fabric industry has demonstrated unfavorable performance.

Consumer products division- Expanding the product portfolio into liquids, cosmetics and healthcare .

- Ginni Filaments announced the establishment of a state-of-the-art medical textiles unit in Haridwar, Uttarakhand, to meet the demands of the domestic market in 2009.
- The company had secured agreements with major healthcare firms like Cipla, Fortis, and Max, as well as collaborations with Kingfisher Airlines and leading hotel chains for product supply. Additionally, Ginni Filaments will engage in contract manufacturing for international clients.
- The company has invested INR 300 Cr in establishing its non-woven raw material unit in Gujarat.
- In 2007, Ginni Filaments entered the non-woven fabric and converting sector for wipes.
- The consumer product division has wet wipes machines designed for sanitation, operating at speeds ranging from 60 to 75 packs per minute.
- These machines can produce packs containing anywhere from one to hundreds of wipes.
- They manufacture a diverse range of wipes, including those for baby care, personal care, and patient care, catering to both national and international brands.

Kitchen swipe rolls

Hanky Dry wipe

Shampoo towel

Baby wipe

Bed bath towel

Cleansing wipes

Hygiene

Cosmetics

Medical

Home Care

Baby Care

Markets served by the company-

Johnson & Johnson, Mothercare, Future Group, Colorbar, Faces, Reckitt n Benckiser, Unicharm (Mamy Poko), Chicco, First Cry, Piramal Healthcare, NUBY, ITC, Kaya Skin Care and many others.

Despite a decline in export demand for the company's technical textiles and consumer product segments, effective marketing strategies implemented by the management enabled the company to achieve decent performance.

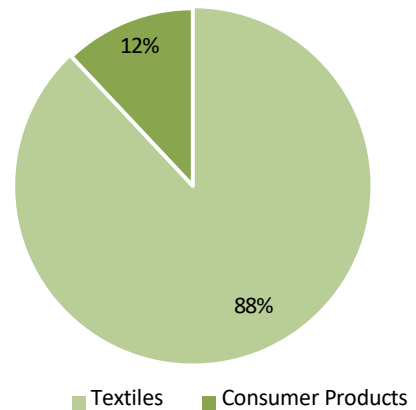
Product Portfolio

Ginni Filaments Ltd. has a diverse product portfolio ranges from the textile and nonwoven industries. In the textile sector, the company specializes in producing Combed Cotton and Open-End Yarns through state-of-the-art facilities in Kosi (U.P) and Panoli (Gujarat). Equipped with machinery from renowned manufacturers like Rieter and Schlafhorst, the company focuses on delivering high-end products to domestic and international knits markets. With a vertically integrated approach, Ginni Filaments covers spinning, knitting, processing, and garmenting, enabling an annual capacity of 10 million knitted basic and fashion garments at its units in Noida.

In addition to its textile offerings, Ginni Filaments extends its product range to nonwovens through Ginni Nonwovens, operating a modern facility in Panoli, Gujarat. The company is involved in manufacturing Spun lace Nonwoven fabrics using cutting-edge technology and equipment from Andritz Perfojet, France. The nonwoven segment focuses on roll goods with world-class quality, widely accepted and validated in the market.

Ginni Filaments has diversified into the wet wipes segment since 2007, establishing itself as a Wet Wipe Converter. The company's manufacturing facility is characterized by automation, hands-free machines, and a skilled workforce. With ISO 9001:2008 and ISO 22716 certifications, Ginni Filaments emphasizes in-house design and development capabilities to meet the evolving demands of its customers in the dynamic market landscape.

Segment wise revenue



Raw Material

- Ginni Filaments produces its own fabrics, primarily utilizing viscose and polyester for wet wipes manufacturing. The combination of these fibers depends on customer demands.
- The company's adoption of a specific spunlace manufacturing system is currently in high demand.
- Cotton Prices bottoming out will help Ginni Filament’s margins in future.

Facility	Capacity
Panoli, Gujrat	90 Mn packs p.a.
Haridwar	35 Mn packs and 6000 tons of liquid p.a.

Source: Arihant Research, Company Filings

Geographical Market Presence and Clientele Overview

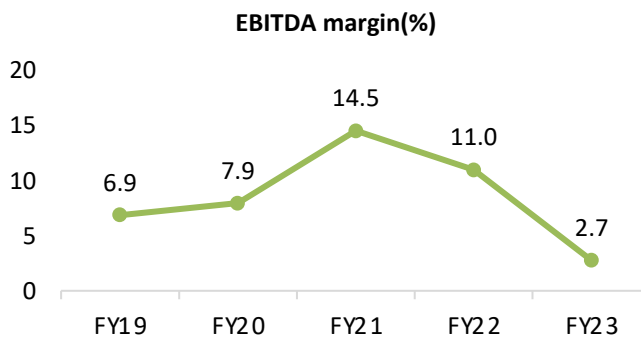


Source: Arihant Research, Company Filings

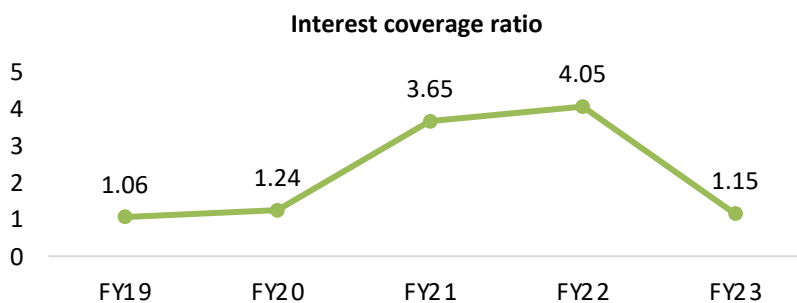
Financials

P&L (INR Cr)	Q2FY24	Q1FY24	Q2FY23	QoQ%	FY23	FY22
Revenues	230	225	236	2.2%	953	1,084
Operating Profit	(2)	1.1	10.8	(281.8)%	22.5	113
Operating Profit Margin (%)	(0.85)%	0.5%	4.59%	-	2.35%	10.44%
PBT	(16)	(13.3)	(1.5)	(20.3)%	(25.7)	74.4
PAT	(10.9)	(8.8)	(1)	(23.8)%	(14.3)	48.4
PAT Margin(%)	(4.74)%	(4)%	(0.42)%	-	(1.50)%	4.45%
EPS	(1.3)	(1)	(0.1)	(30)%	(1.7)	5.8

Profitability decline due to elevated cotton prices



Gradual decrease in Interest Coverage Ratio



Outlook

The company's market capitalization of INR 2.86 billion is lower than this combined liability, indicating a potential financial imbalance. With only INR 42.8 million in cash and INR 1.04 billion in receivables due within 12 months, there is a significant deficit, raising concerns about the company's ability to meet its immediate financial obligations. The company is unprofitable but has reduced losses over the past 5 years at a rate of 2.4% per year. **The outlook suggests a need for strong near-term improvements in both earnings and operational efficiency. Addressing the EBIT loss and working towards positive earnings will be crucial for the company's financial stability. Entering new verticals, expanding product portfolio and benefits from PLI Scheme will help the company to overcome the challenges.**

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Stock Rating Scale

BUY
 ACCUMULATE
 HOLD
 NEUTRAL
 REDUCE
 SELL

Absolute Return

>20%
 12% to 20%
 5% to 12%
 -5% to 5%
 -5% to -12%
 <-12%

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