



Press Release

Wires and Fabriks (S.A) Limited

May 11, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator (Simple / High / Complex)
Long term Bank Facilities	104.35 Crore (Reduced from Rs. 111.86 crore)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short term Bank Facilities	5.90 Crore	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	Rs. 110.25 Crore				

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings reaffirmation to the bank facilities is based on Long Track record of operations and established relationship with customers and suppliers, Moderate capital structure albeit satisfactory debt protection metrics, Operates in the niche segment with strong association with leading paper manufacturers. This is partially offset by Project implementation risk associated with predominantly large size debt funded, Vulnerability of profitability to adverse fluctuation in raw material prices and Declining and moderate scale of revenue with moderate profitability margins.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement on profitability leading to improvement in cash accruals on a sustained basis.
- Sustenance of the capital structure and improvement in debt protection metrics



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Downward Factors

- More than expected moderation in operating revenue
- Elongation in the operating cycle impacting the liquidity
- Delay in completion of the expansion cum modernization project
- More than expected moderation in the capital structure

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long Track record of operations and established relationship with customers and suppliers

The company has established track record of more than five decades in manufacturing forming fabric which finds application in filtration and drying process in paper manufacturing. Incorporated in 1957, it started its commercial operations at the manufacturing facility located at Jhotwara, Jaipur in 1963. Long standing presence in the industry has helped the Company establish relationship with customers and suppliers. The consistent drive to build the brand all these years has helped the company to create a unique place in the market.

Moderate capital structure albeit satisfactory debt protection metrics

The debt protection metrics moderated in FY21 driven by increased interest cost and reduced operating margin however still satisfactory marked by the interest coverage ratio and Total debt to GCA at 6.41x & 4.08 years respectively in FY21 (11.76x and 4.29 years). Also, term loans availed for the on-going capex project have been fully disbursed and overall utilization of its fund-based limits has remained moderate at 22%. The capital structure of the company remains moderate with its comfortable overall gearing and satisfactory TOL/TNW at 0.71x and 1.23x respectively as on March 31,2021 as against 0.92x & 1.59x respectively as on March 31,2020. However, with the capex being expected to be completed by mid Q1FY23 and all the loans being disbursed the overall gearing expected to remain more than 2x.



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Operates in the niche segment with strong association with leading paper manufacturers

Company manufactures forming fabrics (technical textiles) which is one of the critical inputs in the paper manufacturing process. It is one of the largest players in manufacturing of technical textiles for paper industry in the organized sector in India. Accredited with ISO 9001:2015, 14001:2015 and 45001:2018 certification and a Government of India recognized R&D facility, WFL has a major market share in forming fabric in domestic market and mainly faces competition from imports. WFL has been associated with its customers since long and has been continuously providing customized products as per their requirements. Although WFL has major market share in the domestic market, its scale of operations are modest due to its presence in niche Indian paper machine clothing segment. The growth of WFL is limited by the demand of its products from the paper industry.

Key Rating Weaknesses

Project implementation risk associated with predominantly large size debt funded capex

The company have undertaken a modernization-cum-capacity enhancement project with a total cost of Rs. 79.97 Cr. The same is being funded through term loan of Rs. 56 Cr. and remaining funds were through a mix of internal accruals as well as unutilised portion of working capital limit. The expected completion of the Expansion cum Modernisation Project is estimated by June 2022. The said project shall increase the capacity. Further, the said expansion would be helpful in expanding its export presence and addressing future demand from domestic market.

However, the risk with regards to timely completion of the expansion project within envisaged cost parameter, considering high cost of project shall remain crucial in addition to risk pertaining to stabilization of operations and achievability of the envisaged scale and profitability over the projected period. However, the said risk gets partially mitigated as the management has undertaken such projects in the past and was able to successfully complete the project and commence the operations.



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Vulnerability of profitability to adverse fluctuation in raw material prices

As portion of the raw materials for the manufacturing are imported, the profitability of the company remains exposed to fluctuations in raw material prices. However, the risk is mitigated to some extent given the relatively short cycle from order to delivery. Although, the profitability indicators remain exposed to volatility and linkage between price movement of raw material used in production.

Declining and moderate scale of revenue with moderate profitability margins:

The total operating income of the company has decreased in FY21 mainly due to the subdued demand due to covid induced slowdown and lockdowns. This impacted the company's export of products and imports raw materials. The operating revenue has decreased to Rs. 89.24 Cr in FY21 from that of Rs. 98.37 Cr. in FY20. The profitability of the company has remained inline in the past fiscals. The EBITDA and PAT margins stood at 10.62% and 0.52% in FY20 whereas it was 12.34% and 1.61% in FY20. Additionally, during 9MFY22, the company has reported TOI of Rs. 67.13 Cr. along with EBITDA margin and PAT margin of 12.10% and 0.95% respectively with GCA of Rs.6.44 Cr. The interest coverage ratio stood at 4.37x.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating Outlook](#)



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Liquidity – Adequate

The liquidity position is adequate as reflected from the comfortable current ratio and quick ratio as of 31st March 2021 has been 1.75x and 1.26x respectively. Company's operations continue to remain highly working capital intensive as demonstrated by elongated operating cycle of 130 days in FY21. Despite long operating cycle, the liquidity position of the company has remained adequate marked by 22% average utilization of fund based working capital limits for the past twelve months ended January 31, 2022. The DSCR of the company is comfortable at 1.14x. Further, the company has adequate gearing headroom due to its comfortable capital structure.

About the Company:

Wires and Fabriks (S.A) Limited (WFL) was established in 1957, as a Private limited Company by Khaitan family and WFL's operations are managed by Mr. K. K. Khaitan and Mr. M. Khaitan. WFL is mainly engaged in manufacturing of full range of Forming Fabrics and Woven Dryer Screens & Spiral Link Dryer Screens commonly known as paper machine clothing, technical textiles and Paper Making Chemicals. The Company is having 5 windmills with total capacity of 3.85 MW situated at Jaisalmer, Rajasthan. It has Power Purchase agreements with respective distribution companies (DISCOMS) of State Government of Rajasthan.

Financials (Standalone):

(In Crore)

For the year ended/ As on*	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Income	98.37	89.24
PAT	1.59	0.47
Total Debt	41.00	32.04
Tangible Net Worth	44.50	45.17
PAT margin (%)	1.61	0.52
Overall Gearing Ratio (x)	0.92	0.71

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None



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Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (March 23, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loans	Long term	74.35	IVR BBB / Stable	IVR BBB / Stable	-	-
2.	Cash Credit	Long term	30.00	IVR BBB / Stable,	IVR BBB / Stable,	-	-
3.	Letter of Credit	Short term	5.00	IVR A3+	IVR A3+	-	-
4.	Bank Guarantee	Short term	0.90	IVR A3+	IVR A3+	-	-

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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	-	-	Dec-2027	20.00	IVR BBB / Stable
Term Loan	-	-	Jan-2024	5.65	IVR BBB / Stable
Term Loan	-	-	April 2023	4.35	IVR BBB / Stable
Term Loan	-	-	Oct- 2024	4.18	IVR BBB / Stable
Term Loan	-	-	Jan-2027	1.72	IVR BBB / Stable
Term Loan	-	-	Jan-2027	0.22	IVR BBB / Stable
Term Loan	-	-	Dec-2024	20.00	IVR BBB / Stable
Term Loan	-	-	Feb-2026	0.80	IVR BBB / Stable
Term Loan	-	-	Dec-2028	16.00	IVR BBB / Stable
Term Loan	-	-	Sept-2024	0.53	IVR BBB / Stable
Term Loan	-	-	Jan-2027	0.90	IVR BBB / Stable
Cash Credit	-	-	Revolving	14.70	IVR A3+
Cash Credit	-	-	Revolving	3.30*	IVR A3+
Cash Credit	-	-	Revolving	12.00	IVR A3+
Letter of Credit	-	-	Revolving	2.45	IVR A3+
Letter of Credit	-	-	Revolving	0.55#	IVR A3+
Letter of Credit	-	-	Revolving	2.00	IVR A3+
Bank Guarantee	-	-	Revolving	0.50	IVR A3+
Bank Guarantee	-	-	Revolving	0.40	IVR A3+



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

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Len-Wires-Fabriks-May22.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 www.infomerics.com.

