



Press Release

Wires and Fabriks (S.A.) Limited

January 12, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u> (Simple/ Complex/ Highly complex)
Long term Bank Facilities	138.22 (Enhanced from Rs. 91.55 crore)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short term Bank Facilities	2.90	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	141.12			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation to the bank facilities of Wires and Fabriks (S.A) Limited considers long track record of operations and established relationship with customers and suppliers, moderate financial risk profile and operates in the niche segment with strong association with leading paper manufacturers. The rating is however constrained on account of project implementation risk, vulnerability of profitability to adverse fluctuation in raw material prices and working capital intensive nature of operations.

Key Rating Sensitivities:

Upward Factors

- Substantial 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.
- Timely completion of capex.



Press Release

Downward Factors

- More than expected moderation in operating revenue.
- Elongation in the operating cycle impacting the liquidity.
- 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 six 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 financial risk profile

The total operating income of the company has improved by 13% in FY23 as a result of improved capacity and execution of work orders. Therefore, the turnover improved from Rs. 95.73 in FY22 to Rs. 108.30 Cr. in FY23. The profitability improved with EBITDA margin from 12.48% in FY22 to 17.18% in FY23 because of better realizations. Similarly, PAT margins improved to 1.23% in FY23 from that of 0.97% in previous year. With overall improvement in operating profit and implementation of the commissioning of capex, the Return on Capital Employed improved from 2.86% in FY22 to 4.70% in FY23. The total debt stood at Rs. 73.69 Cr. as on March 31, 2023, which mainly consists of term loans amounting to Rs. 61.37 Cr. As on date, the term loans have been fully disbursed. The average working capital utilisation has been around Rs. 12.32 Cr. during FY23. The debt protection metrics marked by DSCR improved marginally to 1.27x in FY23 as against 1.05x in FY22.



Press Release

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, ISO 14001:2015, ISO 45001:2018 and ISO 50001:2018 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

The company is undertaking an expansion and modernization project for production of Multi-shaft Multi-layer Fabrics. The multi-shaft fabrics provides better fabric with the bottom surface very coarse which can withstand higher abrasion and stress loads and top surface very fine providing better quality paper. The said project shall increase the capacity by 70000 Sqm pa. The expansion would be helpful in acquiring new orders and thereby provide fabric of latest technology and addressing future demand. The expected completion of the project is expected in January-2025. The project cost is estimated at Rs. 71.78 Cr. and is funded through bank debt of Rs. 50 Cr and remaining through internal accruals. The company has incurred Rs. 10.59 Cr. under the current expansion cum modernization project.

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



Press Release

management has undertaken such projects in the past and was able to successfully complete the project and commence the operations.

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.

Working capital intensive nature of operations:

The company's operations are working capital intensive in nature as reflected by its operating cycle (days) of around 172 days as on March 31, 2023 (Audited) as against 167 days in FY22. Company maintains an average inventory of around two months for smooth running of operations. The average collection period (days) also remains high at 76 days in FY23 however improving from 98 days in FY22. The collection days are higher as portion of the payment is withheld for some duration after the execution of the orders until trail period. This has led to higher reliance on debt borrowings.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of Rating Outlook | Infomerics Ratings](#)

Liquidity –Adequate

The liquidity position is adequate as reflected from the comfortable current ratio at 1.49x in FY23. Company's operations continue to remain highly working capital intensive as demonstrated by elongated operating cycle of 172 days in FY23. Despite long operating cycle, the liquidity position of the company has remained adequate marked by 50% average



Press Release

utilization of fund based working capital limits for the past twelve months ended December 31, 2023. The DSCR of the company is improving and above unity at 1.27x in FY23.

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 commonly known as paper machine clothing and technical textiles. 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):

(Rs. Crores)

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	95.73	108.30
EBITDA	11.95	18.60
PAT	0.93	1.34
Total Debt	88.32	73.69
Tangible Net worth	46.15	47.37
EBITDA Margin (%)	12.48	17.18
PAT Margin (%)	0.97	1.23
Overall Gearing Ratio (times)	1.91	1.56

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: None

Any other information: None



Press Release

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
					Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
		Type	Amount outstanding	Rating	(May 22, 2023)	(May 11, 2022)	(March 23, 2021)
1.	Long term Bank Facilities	Long Term	138.22 (Enhanced from Rs. 91.55 crore)	IVR BBB / Stable	IVR BBB / Stable	IVR BBB / Stable	IVR BBB / Stable
2.	Short term Bank Facilities	Short Term	2.90	IVR A3+	IVR A3+	IVR A3+	IVR A3+

Name and Contact Details of the Rating Analyst:

Name: Mr. Prakash Kabra
 Tel: (022) 62396023
 Email: prakash.kabra@infomerics.com

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.



Press Release

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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			June-2031	20.00	IVR BBB/ Stable
Term loan			May-2029	15.71	IVR BBB/ Stable
Term loan			Aug-2024	0.14	IVR BBB/ Stable
Term loan			Jan-2027	0.90	IVR BBB/ Stable
Term loan			June-2031	30.00	IVR BBB/ Stable
Term loan			June-2028	18.42	IVR BBB/ Stable
Term loan			Sept-2024	1.25	IVR BBB/ Stable
Term loan			Jan-2027	1.72	IVR BBB/ Stable
Term loan			Nov-2028	19.28	IVR BBB/ Stable
Term loan			Feb-2027	0.80	IVR BBB/ Stable
Cash Credit			-	14.70	IVR BBB/ Stable
Cash Credit			-	12.00	IVR BBB/ Stable
Cash Credit			-	3.30	IVR BBB/ Stable
Letter of Credit			-	1.00	IVR A3+
Letter of Credit			-	0.80	IVR A3+
Letter of Credit			-	0.20	IVR A3+
Bank guarantee			-	0.50	IVR A3+
Bank guarantee			-	0.40	IVR A3+



Press Release

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-WiresFabriks-jan24.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