



Press Release

Wires and Fabriks (S.A) Limited

May 22, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	91.55 (Reduced from Rs. 104.35 crore)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short term Bank Facilities	2.90 (Reduced from Rs. 5.90 crore)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	94.45 (Rupees Ninety-four Crore and Forty- Five Lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation to the bank facilities of Wires and Fabriks (S.A) Limited considers stable growth in the revenue and profitability margin during FY22. The company derives strength from Long Track record of operations and established relationship with customers and suppliers, Moderate financial risk profile, Operates in the niche segment with strong association with leading paper manufacturers, Timely completion of Expansion cum Modernisation Project. The rating is however constrained on account of Vulnerability of profitability to adverse fluctuation in raw material prices, 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

Downward Factors

- More than expected moderation in operating revenue
- Elongation in the operating cycle impacting the liquidity



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- 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 7% in FY22 as a result of improved capacity and execution of work orders. Therefore, the turnover improved from Rs. 89.24 Cr. in FY21 to Rs. 95.73 Cr. in FY22. The profitability of the company has improved from 10.62% to 12.48% in FY22 because of better realizations. Similarly, PAT margins improved to 0.97% in FY22 from that of 0.52% in previous year. With overall improvement in operating profit and implementation of the commissioning of capex, the Return On Capital Employed improved from 1.33% in FY21 to 2.86% in FY22. As a result of disbursement of term loans for the Expansion cum Modernisation Project, the company' capital structure marked by overall gearing ratio and Long-term debt equity ratio elevated to 1.71x and 2.03x on March 31, 2022; however, the same shall improve in projected tenure with the repayments. Company's coverage metrics declined marginally with DSCR at 1.08x and Interest Coverage Ratio at 5.32x in FY22 (Prev. year: 1.14x and 6.41x) due to increase in finance costs.

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. The Company is also accredited with ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 50001:2018 and



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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.

Timely completion of Expansion cum Modernisation Project

The company had commenced a modernization-cum-capacity enhancement project which included setting up of weaving loom, finishing table as well as modernization of existing looms/finishing machine as well as other equipment. This was funded through term loans under Amended Technology Upgradation Fund Scheme (ATUFS). The company has commissioned the capex in Q1FY23.

The said project shall increase the capacity by approx. 24000 sqm on a single shift basis. Further, the said expansion would be helpful in expanding its export presence and addressing future demand from domestic market. The company undertook this project in order to manufacture special designs of multi shat fabrics i.e., known as Suit Support Binder products (SSB) which are as per the latest developed technology.

Key Rating Weaknesses

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 156 days as on March 31, 2022 (Audited) as against 152 days in FY21.



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Company maintains an average inventory of around two months for smooth running of operations. The average collection period (days) also remains high at 98 days in FY22 however improving from 123 days in FY21. 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:

[Criteria for assigning rating outlook](#)

[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 and quick ratio as of 31st March 2022 has been 1.62x and 1.13x respectively. Company's operations continue to remain highly working capital intensive as demonstrated by elongated operating cycle of 156 days in FY22. Despite long operating cycle, the liquidity position of the company has remained adequate marked by 37% average utilization of fund based working capital limits for the past twelve months ended December 31, 2022. The DSCR of the company is modest at 1.08x.



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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, 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. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	89.24	95.73
EBITDA	9.48	11.95
PAT	0.47	0.93
Total Debt	32.04	88.32
Tangible Net worth	44.42	43.41
EBITDA Margin (%)	10.62	12.48
PAT Margin (%)	0.52	0.97
Overall Gearing Ratio (times)	0.72	2.03

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

		Current Ratings (Year 2023-24)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2019-20
Press Release					(May 11, 2022)	(March 23, 2021)	–
1.	Long term Bank Facilities	Long Term	91.55 (Reduced from Rs. 104.35 crore)	IVR BBB / Stable	IVR BBB / Stable	IVR BBB / Stable	–
2.	Short term Bank Facilities	Short Term	2.90 (Reduced from Rs. 5.90 crore)	IVR A3+	IVR A3+	IVR A3+	–

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com

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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	19.46	IVR BBB / Stable
Term Loan	–	–	August 2023	2.51	IVR BBB / Stable
Term Loan	–	–	January, 2027	1.72	IVR BBB / Stable
Term Loan	–	–	Dec-2028	15.86	IVR BBB / Stable
Term Loan	–	–	Dec-2024	0.31	IVR BBB / Stable
Term Loan	–	–	Jan-2024	0.90	IVR BBB / Stable
Term Loan	–	–	Dec-2024	20.00	IVR BBB / Stable
Term Loan	–	–	Feb-2026	0.80	IVR BBB / Stable
Cash Credit	–	–	Revolving	14.70	IVR BBB / Stable
Cash Credit	–	–	Revolving	12.00	IVR BBB / Stable
Cash Credit	–	–	Revolving	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+

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-may23.pdf>

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

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.