

Wearit Global Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Packing Credit	134.70	SMERA BB+/Stable (Reaffirmed)
Cash Credit	86.05	SMERA BB+/Stable (Reaffirmed)
Term Loan/FCTL	66.29	SMERA BB+/Stable (Reaffirmed)
Foreign Bill Purchase	18.00	SMERA BB+/Stable (Reaffirmed)
Letter of Credit	5.00	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and the short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.310.04 crore bank facilities of Wearit Global Limited (WGL). The outlook is '**Stable**'.

The ratings continue to derive comfort from the extensive experience of the promoters and their long track record in the textile industry. The ratings also take into account the moderate financial risk profile marked by healthy networth and modest gearing levels. However, the ratings are constrained by the working capital intensive operations and susceptibility of profit margins to fluctuations in raw material prices.

Update

WGL, incorporated in 1999 is the flagship company of the Wearit Group. The group has diversified business interests in tea, textiles and power. The group is headed by Mr. Manish Kumar, Managing Director supported by an experienced management team. WGL is engaged in the manufacturing of synthetic and cotton blended yarn.

WGL reported revenue of Rs.746.43 crore in FY2016 compared to Rs.701.13 crore in FY2015. The revenue has grown at a CAGR of 16.8 per cent in the last three years (from FY2014-FY2016). The operating margin increased to 5.64 per cent in FY2016 from 4.59 per cent in FY2015 mainly due to decline in material. Also, the company undertook capital expansion at Bhilwara, Rajasthan in FY2016 to modernise existing machines. The net profit margins also improved from 0.95 per cent in FY2015 to 1.14 per cent in FY2016.

The company's moderate financial risk profile is comfortable marked by moderate gearing, modest interest coverage ratios, net cash accruals to total debt and average debt protection metrics. The gearing increased to 1.71 times in FY2016 compared to 1.48 times in FY2015. The interest average is moderate at 1.32 times in FY2016 compared to 1.48 times in FY2015. The Net Cash accrual to total debt is at 0.05 times in FY2016 compared to 0.04 times in FY2015. The networth is comfortable at Rs.182.28 crore in FY2016 mainly due to consistent accretion to reserves and regular equity infusion amounting to Rs.7.15 crore in the past three years ended 31st March 2016. SMERA derives comfort from the fact that the promoters will infuse funds in case of any exigency.

The company has working capital intensive operations, marked by high gross current asset days in the range 173-193 days in the last three years (FY2014-FY2016). This is due to the high inventory holding period which is about two months for cotton and one month for fibre. It is also marked by almost full utilisation of cash credit facility (during the last six months ended October 2016).

WGL's profit margins are also susceptible to fluctuations in the prices of cotton.

Rating Sensitivity Factors

- Improving margins while maintaining growth in revenue
- Efficient working capital management

Outlook-Stable

SMERA believes that the outlook on WGL's rated facilities will remain stable over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers significant increment in its profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability and stretched working capital cycle.

Criteria applied to arrive at the ratings

- Manufacturing entities

About the Company

The Kolkata-based WGL, (the erstwhile Ritspin Global Limited) incorporated in 1999 is engaged in the manufacturing of synthetic and cotton blended yarn. The company commenced operations from 2011 with the acquisition of a spinning unit of installed capacity of 25,776 spindles. The company has four manufacturing units, three in Madhya Pradesh and one in Rajasthan. The combined installed capacity stands at 1, 55,648 spindles. The day-to-day operations are managed by Mr. Manish Kumar.

For FY2015-16, the company reported PAT of Rs.8.48 crore on operating income of Rs.746.44 crore as compared to PAT of Rs.6.69 crore on total operating income of Rs.701.13 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
19 Oct, 2015	Packing Credit	204.27*	SMERA BB+ (Reaffirmed)	-	Stable
	Term Loan/FCTL	66.04	SMERA BB+ (Assigned)	-	Stable
	Cash Credit	9.73	SMERA BB+ (Assigned)	-	Stable
	Foreign Bill Purchase	25.00	SMERA BB+ (Assigned)	-	Stable
	Letter of Credit	5.00	-	SMERA A4+ (Assigned)	-
12 Oct, 2015	Packing Credit	55.20	SMERA BB+ (Assigned)	-	Stable

*Enhanced from Rs.55.20 crore.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations Tel: +91-22-6714 1105 Cell: +91-9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.