

Press Release

Whitelotus Industries Limited (WIL)

22 September, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 35.00 Cr
Long Term Rating	SMERA B+/Outlook:Stable

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.35.00 crore bank facilities of Whitelotus Industries Limited (WIL). The outlook is **Stable**.

WIL, incorporated in 2011 is a Surat-based (Gujarat) company promoted by Mr. Sumant B. Jalan and family. The company commenced commercial production in February, 2013 to manufacture metalised yarn and printed laminated roll. The installed capacity stands at 9600 MTPA for laminated and lacquered films.

List of key rating drivers and their detailed description

Strengths

Entrepreneurial experience of management: Mr. Badriprasad Jalan and Mr. Sumant Jalan have extensive entrepreneurial experience of over three decades in the textile industry. Though the management has limited experience of five years in packaging industry, their entrepreneurial experience is expected to support WIL in the medium term.

Weaknesses

Moderate financial risk profile: The company has moderate networth base of Rs.15.37 crore as on 31 March, 2017 as against Rs.13.65 crore as on 31 March, 2016. The total debt in FY2017 comprises term loans of Rs.13.10 crore and short term borrowing of Rs.20.32 crore.

The gearing stood high at 2.34 times as on 31 March, 2017 as against 2.66 times as on 31 March, 2016. The interest coverage ratio stood moderate at 1.51 times in FY2017 as against 1.42 times in FY2016.

Working capital intensive operations: The company has working capital intensive operations with GCA of 196 days in FY2017 as against 138 days in FY2016. The GCA days stood high mainly on account of high inventory holding of 89 days and debtors of 70 days in FY2017. The average cash credit utilisation stood high at around 95 per cent from April, 2016 to June, 2017.

SMERA believes that the efficient working capital management will be crucial to the company in maintaining a stable credit profile.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios & Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that WIL will maintain a stable outlook and benefit from the entrepreneurial experience of the management. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while maintaining operating profitability and improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability or if the financial risk profile deteriorates owing to increase in working capital requirements.

About the Rated Entity

For FY2016-17 (Provisional), WIL reported profit after tax (PAT) of Rs.0.50 crore on operating income of Rs.70.56 crore, compared to net loss of Rs.0.24 crore on operating income of Rs.88.11 crore in FY2015-16.

Status of non-cooperation with previous CRA (if applicable): CARE in the press release dated March 10, 2017 has stated the following "CARE has been seeking information from Whitelotus Industries Limited to monitor the rating(s) vide e-mail communications/letters dated January 18, 2017, February 2, 2017, February 28, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating."

Any other information: None

Rating History for the last three years: Not applicable

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit I	NA	NA	NA	5.99**	SMERA B+/Stable (Assigned)
Cash Credit II	NA	NA	NA	8.60#	SMERA B+/Stable (Assigned)
Cash Credit III	NA	NA	NA	5.91^	SMERA B+/Stable (Assigned)
Term Loan I	NA	NA	November 2021	4.99	SMERA B+/Stable (Assigned)
Term Loan II	NA	NA	July 2021	5.08	SMERA B+/Stable (Assigned)

Term Loan III	NA	NA	November 2018	0.21	SMERA B+/Stable (Assigned)
FITL	NA	NA	November 2021	1.28	SMERA B+/Stable (Assigned)
WCTL	NA	NA	November 2021	2.85	SMERA B+/Stable (Assigned)
Proposed Cash Credit	NA	NA	NA	0.09	SMERA B+/Stable (Assigned)

**Sublimit ILC - Rs.1.58 crore and PC/PCFC - Rs.0.95 crore

#Sublimit ILC - Rs.2.04 crore and PC/PCFC - Rs. 1.22 crore

^Sublimit ILC - Rs.1.38 crore and PC/PCFC - Rs.0.83 crore

Note on complexity levels of the rated instrument: <https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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