



Press Release
Welspun Advanced Materials (India) Limited
August 30, 2024
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	228.13	ACUITE A- Reaffirmed & Withdrawn	-
Bank Loan Ratings	19.87	Not Applicable Withdrawn	-
Bank Loan Ratings	40.00	-	ACUITE A2+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	288.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE A-**' (read as **ACUITE A Minus**) and its short-term rating of '**ACUITE A2+**' (read as **ACUITE A Two Plus**) on the Rs. 268.13 Cr. bank facilities of Welspun Advanced Materials (India) Limited (WAMIL). Further, Acuite has withdrawn its long term rating on proposed bank facilities of Rs.19.87 Cr. without assigning any rating of Welspun Advanced Materials (India) Limited (WAMIL). The withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company, and NOC (No Objection Certificate) received from the banker.

Rationale for Rating Reaffirmation

The rating reaffirmation takes into account WAMIL's strong parentage, support from the parent (WLL – Welspun Living Limited), and WLL's presence in the non-woven spunlace segment. The rating also factors in WLL's assistance with the operations of the company and low demand risk. The rating also draws comfort from the strategic location of the plant, the established distribution network.

Furthermore, the operating income of the company grew to Rs. 199.53 Cr. in FY2024(Prov) from Rs. 134.50 Cr. in FY2023. The growth in revenue is primarily on account of increased capacity utilization. Further, the operating profit margins of the company improved to 22.16% in FY2024(Prov) from 19.47% in FY2023. The financial risk profile of the company improved though

remained moderate in FY2024(Prov) marked by moderate net worth, gearing level and debt protection metrics. The rating further draws comfort from the efficient nature of working capital operations and adequate liquidity position.

About the Company

Established in December 2019, Welspun Advanced Materials (India) Limited (WAMIL) is a 100 percent wholly owned subsidiary of Welspun Living Limited (WLL). WAMIL has set up a manufacturing unit for non-woven spunlace rolled goods at Village Chandanvelly, Ranga Reddy District, in the state of Telangana. Spunlace non-wovens are produced for a wide range of applications like wet wipes, dry wipes, wound care, female hygiene products, diapers, artificial leather, coating substrates, filtration, and PPEs. These fabrics form a part of the technical (advanced material) segment of the textile value chain. Welspun Living Limited

(WLL), its parent company, has been in the business of manufacturing and exporting spunlace rolls for a long time. The total installed capacity of the manufacturing unit stood at 17,729 MTPA of non-woven spunlace rolls.

About the Group

WLL is among the largest home textile companies in Asia and among the top 3 home textile manufacturers in the world. The company is the largest exporter of home textile products from India, with a presence in over 50 countries and supplies to the top global retailers. WLL's portfolio comprises a wide range of home textile products such as terry towels (cotton and blended yarn), bed linen (basic bedding and decorative bedding), and bath rugs (cotton, nylon, or microfiber).

Unsupported Rating

ACUITE BBB

Analytical Approach

Acuité has considered the standalone business and financial risk profile of WAMIL to arrive at this rating. The rating has been notched-up by considering support from its parent company – Welspun Living Limited (WLL) in the form of corporate guarantee available till security perfection, contribution in form of Equity and debentures.

Key Rating Drivers

Strengths

Strong parentage; tangible support from the parent to WAMIL

Welspun Living Limited (WLL) is a leading company of the Welspun group, promoted by Mr. B.K. Goenka and Mr. R.R. Mandawewala. WLL is the largest home textiles company in Asia and among the top 5 home textile manufacturers in the world. While enumerating the support extended by WLL to WAMIL, Acuité takes cognizance of WLL's resourceful promoters (WAMIL along with Welspun Group), extensive experience of the management, WLL's leading position in the home textiles segment with global reach, established relationships with leading global retailers, a well-diversified product portfolio, a strong brand image, integrated operations, and a healthy financial risk profile, albeit constrained by exposure to inherent industry risks such as volatility in raw material prices and fluctuations in foreign currency.

WAMIL is of strategic importance to WLL; the same is demonstrated by the support from WLL. Continuous fund support by its parent – WLL has infused equity, CCD's and unsecured loans. The support is further strengthened by unconditional and irrevocable corporate guarantee by WLL until the creation and perfection of the security and sponsor-support undertakings and non-disposable undertaking.

Strategic location of the plant and established marketing arrangements

WAMIL's manufacturing plant is strategically located in Ranga Reddy district, Telangana State, near the city of Hyderabad. The site offers excellent access to major roads and national highways, facilitating distribution and dealer network expansion in the southern region and across India. The decision to establish the manufacturing base in Telangana reflects WLL's objective of diversifying its geographical presence and enhancing business operations. Leveraging Welspun Group's strong presence in export and domestic markets, WAMIL aims to capitalise on the brand presence of 'Welspun' and cater to existing and new customers, including global giants in the health-hygiene segment and domestic brands. Additionally, WAMIL's proximity to textile hubs in the southern region ensures easy access to raw materials, further strengthening its position in the market.

Moderate financial risk profile

The financial risk profile of the company improved though remained moderate in FY2024(Prov)

marked by moderate net worth, gearing level and debt protection metrics. The tangible net worth of the company stood at Rs. 86.41 Cr. as on March 31, 2024 (Prov.) as compared to Rs. 78.32 Cr. as on March 31, 2023. The total debt of the company stood at 209.23 Cr. as compared to Rs. 203.56 Cr. as on March 31, 2023. The capital structure of the entity remains moderate with the gearing of 2.42 times in FY24(Prov.) as against 2.60 times in FY23. The TOL/TNW stood at 3.09 times as on March 2024 (Prov.) compared to 3.08 times as on March 2023. The debt protection metric of debt service coverage ratio stood at 2.62 times in FY24 (Prov.) as compared to 3.75 times in FY 23 and interest service coverage ratio stood at 7.16 times in FY24 (Prov.) compared to 6.71 times in FY23. Further, the Debt/EBITDA levels improved to 4.43 times in FY2024(Prov.) against 7.90 times in FY2023 primarily on account of significant growth in operating profit.

Efficient working capital cycle

The working capital operations of the company improved marked by GCA days of 42 days in FY24 (Prov.) as against 59 days during FY23. The decline in GCA days is primarily due to lower other current assets. The debtor days stood at 0 day in FY24 (Prov.) as compared to 01 days in FY23 and 202 days in FY22. The company also has good clientele base with clients like Welspun Global Brands Limited, Silver Angel Impex Limited etc. The creditor days stood at 60 days in FY24 (Prov.) as compared to 124 days in FY23.

Weaknesses

Exposure to volatility in raw material prices

The raw materials required by WAMIL include polyester staple fibre and viscose staple fibre. These will be sourced domestically and imported too; hence, the company is susceptible to volatility in raw material pricing risk. However, this risk can be mitigated to an extent through re-negotiation of price with customers, as WAMIL will enter into contracts wherein quantity will be pre-defined with price revisions on a monthly basis.

Rating Sensitivities

- Sustained growth in scale of operations while maintaining profitability margins.
- Timely financial support from its parent, WLL
- Timely creation of mortgage and security perfection

Liquidity Position

Adequate

The liquidity of the company is adequate, marked by adequate net cash accruals to service its debt repayment obligations. The Net cash accruals of the company stood at Rs. 40.22 Cr. in FY24 (Prov.) as against repayment obligation of Rs. 11.26 Cr. during the same period. Further, the net cash accruals are expected to remain adequate to meet its debt obligation in the near term. The company's reliance on bank limits is moderate with average utilization of 46 percent during the past 6 months ended April 2024. Further, the company-maintained cash and bank balances of Rs.0.19 Cr. as on March 31,2024(Prov). However, the current ratio stood average at 0.48 times in FY2024(Prov).

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	199.53	134.50
PAT	Rs. Cr.	7.24	(11.77)
PAT Margin	(%)	3.63	(8.75)
Total Debt/Tangible Net Worth	Times	2.42	2.60
PBDIT/Interest	Times	7.16	6.71

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jun 2023	Term Loan	Long Term	206.80	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	6.20	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
07 Mar 2022	Term Loan	Long Term	209.74	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	18.26	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	30.00	ACUITE A2+ (Assigned)
	Proposed Short Term Bank Facility	Short Term	10.00	ACUITE A2+ (Assigned)
15 Jun 2021	Term Loan	Long Term	248.00	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A- Reaffirmed & Withdrawn
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A- Reaffirmed & Withdrawn
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A2+ Reaffirmed & Withdrawn
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A2+ Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	19.87	Not Applicable Withdrawn
Union Bank of India	Not avl. / Not appl.	Term Loan	17 Nov 2020	Not avl. / Not appl.	31 Dec 2030	Simple	193.13	ACUITE A- Reaffirmed & Withdrawn

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	Welspun Living Limited (Erstwhile Welspun India Limited)
2	Welspun Advanced Materials (India) Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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