

Press Release

Wampur Syntex Private Limited (Erstwhile Wampur Syntex)

January 10, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	0.35		ACUITE A4+ Reaffirmed
Bank Ratings Loan	18.15	ACUITE BB Stable Reaffirmed	
Total	18.50	-	-

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.18.50 crore bank facilities of Wampur Syntex Private Limited (erstwhile Wampur Syntex). The outlook is 'Stable'.

Rationale for rating reaffirmation

The rating reaffirmation consider the comforts drawn from stable business risk profile and experience of management. Acuite expects the business and financial performance to improve over the medium term due to improvement in the Covid-19 scenario. However, the rating remains constrained on account of moderately intensive working capital operations and high competition in the industry.

About the Company

Gujarat based, Wampur Syntex Private Limited (WSPL) was established as a partnership firm in 2016 and recently incorporated as a private limited company in 2021. The company is engaged in manufacturing of Polyester and Nylon dyed yarn and started its operations in March, 2018. The firm is promoted by Mr. Sandeep Ostawal, Mr. Lokeshkumar Babal, Mr. Bhanwararam Bijaniya, Mr. Jugalkishore Bijaniya and Ms. Munni Bijaniya under the leadership of Mr. Bhagalam Bijaniya. The manufacturing unit is located in Surat, which is a hub for the textile industry. The manufacturing unit has installed capacity of 6000 tonnes per annum.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of WSPL to arrive at the rating.

Key Rating Drivers

Strengths

Experience management

WSPL is promoted by Mr. Sandeep Ostawal, Mr. Lokeshkumar Babal, Mr. Bhanwararam Bijaniya, Mr. Jugalkishore Bijaniya and Ms. Munni Bijaniya under the leadership of Mr. Bhagalam Bhijaniya. The promoters have over two decades of experience in the said line of business. The extensive experience of the promoters has enabled the company to forge healthy and long-term relationships with customers and suppliers. The firm caters to reputed

clients like Sona Tapes Private Limited, Orbit Exports Private Limited, Spica Elastics Vietnam Company Limited, to name a few. These clients are based out of pan India, and the firm also exports to key markets of Vietnam, Singapore and Peru.

Acuité believes that the partner's extensive experience and healthy relationship with customers is expected to support the business risk profile of WSPL over the medium term.

Moderately intensive working capital operations

The company has a moderately intensive working capital cycle marked by Gross Current Assets (GCA) days of 110 days in FY2021 as against 85 days in FY2020. The inventory days stood at 45 days in FY2021 as against 29 days in FY2020 as most of the raw material is locally available and procured hence no pile-up of inventory is observed. Also, the debtor days stood at 48 days in FY2021 as against 36 days in FY2020 which is corresponding to normal terms with customers. The average bank limit utilization stood high at around 87.71 percent for the last 7 months ended October 2021.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

Weaknesses

Moderate financial risk profile

The financial risk profile of the company stood moderate marked by modest net worth, moderate gearing and moderate debt protection metrics. The tangible net worth stood at Rs.8.92 crore as on March 31, 2021 as against Rs.11.38 crore as on March 31, 2020. The decline in net worth is due to the change in constitution from partnership firm to private limited company. The total debt of the company stood at Rs.21.12 crore includes Rs.13.19 crore of long term debt, Rs.0.59 crore of unsecured loans from promoters and Rs.7.34 crore of short term debt as on March 31, 2021. The gearing (debt-equity) stood at 2.37 times as on March 31, 2021 as compared to 1.28 times as on March 31, 2020. Interest Coverage Ratio stood at 3.93 times for FY2021 as against 4.52 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 3.51 times for FY2021 as against 2.57 times for FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 3.78 times as on March 31, 2021 as against 2.06 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.21 times for FY2021 as against 0.32 times for FY2020.

Acuité believes that the financial risk profile of the company is expected to remain at the same level over the medium term.

High competition

WSPL operates in a highly competitive industry characterized by a large number of established and small players affecting its margins and bargaining power with its customers. The firm being in the early stage of operations restricts its market to a certain extent.

Rating Sensitivities

Improvement in the scale of operations as well as profitability margins leading to improvement in overall financial risk profile.

Further stretch in the working capital cycle and liquidity profile of the company.

Material covenants

None.

Liquidity Position: Adequate

The company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.4.00-4.60 crore during the last three years through 2019-21, while the maturing debt obligation is in the range of Rs.0.80-2.83 during the same period. The company's working capital operation stood intensive marked by GCA days of 110 days in FY2021 as against 85 days in FY2020. The company maintains an unencumbered cash and bank balances of Rs.0.34 crore as on March 31, 2021. The current

ratio of the company stood at 1.22 times as on March 31, 2021. The average bank limit utilization stood high at around 87.71 percent for the last 7 months ended October 2021.

Outlook: Stable

Acuité believes the company will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company shows improvement in the scale of operations and profitability margin while improving its financial risk profile and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's revenue or profitability or significant deterioration in the working capital cycle leading to deterioration in its financial risk profile and liquidity position.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	76.67	79.01
PAT	Rs. Cr.	1.37	1.45
PAT Margin	(%)	1.79	1.83
Total Debt/Tangible Net Worth	Times	2.37	1.28
PBDIT/Interest	Times	3.93	4.52

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>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Oct 2020	Letter of Credit	Short Term	0.35	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Short Term	0.43	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Packing Credit	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	9.72	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Cash Credit	Long Term	7.00	ACUITE BB- Stable (Upgraded from ACUITE B Stable)
	Term Loan	Long Term	9.72	ACUITE BB- Stable (Upgraded from ACUITE B Stable)

05 Sep 2019	Proposed Bank Facility	Short Term	0.43	ACUITE A4+ (Upgraded from ACUITE A4)
	Packing Credit	Short Term	1.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Letter of Credit	Short Term	0.35	ACUITE A4+ (Upgraded from ACUITE A4)
15 Oct 2018	Letter of Credit	Short Term	0.35	ACUITE A4 (Assigned)
	Proposed Short Term Loan	Short Term	0.86	ACUITE A4 (Assigned)
	Term Loan	Long Term	9.79	ACUITE B Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE B Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB Stable Reaffirmed
Indian Overseas Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.35	ACUITE A4+ Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	23-03-2021	8.85	30-06-2026	9.17	ACUITE BB Stable Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	23-03-2021	8.85	31-03-2028	0.98	ACUITE BB Stable Reaffirmed

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About Acuité Ratings & Research

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