

## Press Release

Wampum Syntex Private Limited (Erstwhile Wampum Syntex)

March 17, 2023



### Rating Reaffirmed

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

### Rating Rationale

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

#### Rationale for rating reaffirmation

The rating reaffirmation factors in the improvement in the operating income, working capital efficient operations and adequate liquidity position of the company. The revenue of the company improved and stood at Rs.127.47 crore in FY2022 compared to revenue of Rs.76.67 crore in FY2021. The growth in the operating income is driven by the increase in the demand as well as high price realization for products. Till December 2022, the company's revenue stood at Rs.105.46 crores. The ratings are constrained by the below average financial risk profile and high competition in the industry.

#### About the Company

Gujarat based, Wampum 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. Bhagalram Bijaniya. The manufacturing unit is located in Surat, which is a hub for the textile industry.

#### Analytical Approach

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

#### Key Rating Drivers

#### Strengths

## **Experienced 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. Bhagalram 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.

## **Working capital efficient operations**

The Company's operations are working capital efficient as evident from Gross Current Asset (GCA) of 79 days as on March 31, 2022 as against 109 days as on March 31, 2021. The inventory levels have improved and stood at 39 days for FY2022 compared against 45 days for FY2021. Average inventory holding period for the raw materials is around 15-20 days. The debtor days stood at 35 days for FY2022 against 48 days for FY2021. The average credit period allowed to the customers is around 30-60 days. The creditor days of the company stood at 40 days for FY2022 as against 74 days for FY2021. The average credit period received from the customers is around 30-60 days. The average utilization of the CC limits of the company stood high at ~92 percent in last six months ended December' 2022. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key monitorable in medium term.

## **Weaknesses**

### **Below average financial risk profile**

The company has a below average financial risk profile marked by tangible net worth of Rs.10.59 crore as on 31 March 2022 as against Rs.8.92 crore as on 31 March 2021. The gearing level of the company stood high at 2.31 times as on 31 March 2022 as against 2.37 times as on 31 March 2021. The total debt of the company stood at Rs.24.49 crore as on 31 March 2022. It comprised of long-term debt of Rs.11.00 crore, unsecured loan of Rs.1.93 crore and short-term debt of Rs.8.86 crore as on 31 March 2022. The company has added loans in FY2022 for the addition of the dyeing and coning machinery in the plant. The coverage ratios of the company stood moderate with Interest Coverage Ratio (ICR) of 4.97 times for FY2022 against 3.93 times for FY2021. The Debt Service Coverage Ratio (DSCR) stood at 1.81 times for FY2022 against 3.51 times for FY2021. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 3.52 times for FY2022 as against 3.78 times in FY2021. 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.

Any stretch in the working capital cycle and liquidity profile of the company

## **Material covenants**

None

## **Liquidity position: Adequate**

The company has an adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.6.25 crore in FY2022 compared against maturing debt obligations of Rs.2.59 crore over the same period. The cash accruals of the company are estimated to remain in the range of Rs.6.56-8.92 crore during 2023 to 2025 period while its maturing debt obligations is estimated to be in the range of Rs.1.79-2.52 crore during the same period. The average utilization of the CC limits of the company remains high at ~92 percent in last six months ended December'2022. The company maintains unencumbered cash and bank balances of Rs.0.56 crore as on March 31, 2022. The current ratio stood at 1.21 times as on March 31, 2022.

### 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.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	127.47	76.67
PAT	Rs. Cr.	3.40	1.37
PAT Margin	(%)	2.66	1.79
Total Debt/Tangible Net Worth	Times	2.31	2.37
PBDIT/Interest	Times	4.97	3.93

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

None

### 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

In order to inform the investors about complexity of instruments, Acuité 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Jan 2022	Term Loan	Long Term	9.17	ACUITE BB   Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	0.98	ACUITE BB   Stable (Reaffirmed)
	Letter of Credit	Short Term	0.35	ACUITE A4+ (Reaffirmed)
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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.25	ACUITE BB   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.35	ACUITE A4+   Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.92	ACUITE BB   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.98	ACUITE BB   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Tanvi Kadam Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:tanvi.kadam@acuite.in">tanvi.kadam@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité 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. Ratings assigned by Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Ratings assigned by Acuité 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.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.