

**Press Release**  
**Wampur Syntex Private Limited (Erstwhile Wampur Syntex)**  
**June 14, 2024**  
**Rating Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
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 Wampur Syntex Private Limited (erstwhile Wampur Syntex)(WSPL). The outlook is '**Stable**'.

**Rationale for rating reaffirmation**

The rating reaffirmation factors in the moderate improvement in the operating income of the company in FY2023 and further in FY2024. The operating income stood at Rs.136.75 Cr. in FY2023 as against Rs.127.47 Cr. in FY2022. Further, it has achieved operating income of ~ Rs.161.39 Cr. in FY2024(E). The rating is further supported by moderately efficient working capital operations and adequate liquidity position.

However, the rating is constrained by WSPL's moderate financial risk profile and due to its presence in a highly competitive industry. The tangible net worth of the company is Rs.12.66 crore as on March 31 2023 as against Rs.10.59 crore as on March 31 2022.

Going forward, the company's ability to increase its scale operations and profitability, while maintaining its moderately efficient working capital operations and moderate financial risk profile, will remain key monitorable.

**About the Company**

Gujarat based, Wampur Syntex Private Limited (WSPL) was established as a partnership firm in 2017 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. The installed capacity of the company 7800 tons per annum.

The polyester and nylon dyed yarns are used for making clothing, collars & sleeves and brand logos in clothing, industrial fabrics, ladies dress material, under garments, knitting, socks, upholstery, automobile seats, etc.

**Unsupported Rating**

Not Applicable

**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 with reputed client base.**

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 in India, and the company also exports to key markets in Vietnam, Singapore and Peru.

The operating revenue of the company marginally improved and stood at Rs.136.75 crore in FY2023 as compared to revenue of Rs.127.47 Cr. crore in FY2022. An improvement in revenue is due to an increase in demand. Further, the actual production increased to 6008 MT with 83.44 percent capacity utilisation in FY2023. The operating profit margin declined in FY2023 due to a decline in demand from the premium segment; it stood at 5.53 percent as compared to 7.36 percent in FY2022. The PAT margin of the company stood at 1.49 percent in FY2023 compared to 2.66 percent in FY2022. Further, the company reported a turnover of Rs.161.40 Cr. in FY2024(E), with an estimated operating margin of 6.00 percent and a PAT margin of 2.01 percent.

Acuité believes that the promoters extensive experience and healthy relationships with customers are expected to support the business risk profile of WSPL over the medium term.

#### **Moderately efficient working capital operations**

The company's working capital operations are moderately efficient as evident from Gross Current Asset (GCA) of 74 days as on March 31, 2023 as against 79 days as on March 31, 2022. The efficient GCA days are supported by comfortable inventory and debtor days. The inventory levels have further improved and stood at 32 days for FY2023 as compared against 39 days and 45 days for FY2022 and FY2021 respectively. The debtor days stood at 25 days for FY2023 against 35 days for FY2022. The average credit period allowed to customers is around 30-60 days. The creditor days of the company stood at 45 days for FY2023 as against 40 days for FY2022. The average utilization of the CC limits of the company remained high at ~94 percent in the last six months ended May 2024.

Acuité believes that the company's ability to maintain its working capital efficiently will remain a key monitorable in the medium term.

### Weaknesses

#### **Moderate financial risk profile**

The financial risk profile of WSPL is moderate, marked by low net worth, improving gearing, and moderate debt protection metrics. The tangible net worth of the company is Rs.12.66 crore as on March 31, 2023 as against to Rs.10.59 crore as on March 31, 2022. The improvement in networth is due to accretion of reserves. The total debt of the company is Rs.22.21 Cr. as on March 31, 2023, consisting of Rs.8.55 Cr. of long term debt, Rs.8.27 Cr. of short term debt, Rs.1.71 Cr. of USL and Rs.3.67 Cr. of the current portion of long term maturities. The gearing level of the company improved and stood at 1.75 times as on March 31, 2023 as against 2.31 times as on March 31 2022. The TOL/TNW moderately improved and stood at 2.91 times as on March 31 2023 as against 3.52 times as on March 31 2022. The Debt/EBITDA stood at 2.82 times as on March 31 2023 as against 2.58 times as on March 31 2022.

With moderate debt protection metrics, ICR stood at 3.32 times as on March 31, 2023 as against 4.97 times as on March 31, 2022. The DSCR of the company stood at 1.43 times as on March 31, 2023 as against 1.81 times as on March 31, 2022.

Acuite believes, going forward the financial risk profile of the company remain at similar levels owing a planned minor debt funded capex in FY2025 and FY2026.

#### **Highly competitive industry**

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 and profitability margins.
- Improvement in financial risk profile
- Any stretch in the working capital cycle leading to moderation in financial risk profile and liquidity position of the company.

### **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.4.88 Cr. in FY2023 compared to maturing debt obligations of Rs.2.70 Cr over the same period. The cash accruals of the company are estimated to remain in the range of Rs.6.37-7.49 Cr. during 2024-2025 period, while its maturing debt obligations are estimated to be in the range of Rs.3.67-2.84 Cr. during the same period. The average utilization of the CC limits of the company remains high at ~94 percent in the last six months ended May 2024. The company maintains unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2023. The current ratio stood low at 1.06 times as on March 31, 2023. Acuite believes that the company's liquidity position will continue to be adequate over the medium term on account of adequate cash accrual generation.

### **Outlook: Stable**

Acuité believes the company will maintain a stable outlook over the medium term on account of its experienced management with reputed client base and moderately efficient working capital operations. The outlook may be revised to 'Positive' in case the company demonstrates higher than expected growth in in the scale of operations and profitability margins while improving its financial risk profile and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in the company's revenue or profitability or significant elongation 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	136.75	127.47
PAT	Rs. Cr.	2.04	3.40
PAT Margin	(%)	1.49	2.66
Total Debt/Tangible Net Worth	Times	1.75	2.31
PBDIT/Interest	Times	3.32	4.97

### 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>
- 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>

### 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Mar 2023	Cash Credit	Long Term	9.25	ACUITE BB   Stable (Reaffirmed)
	Letter of Credit	Short Term	0.35	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	0.98	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	7.92	ACUITE BB   Stable (Reaffirmed)
10 Jan 2022	Cash Credit	Long Term	8.00	ACUITE BB   Stable (Reaffirmed)
	Letter of Credit	Short Term	0.35	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	0.98	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	9.17	ACUITE BB   Stable (Reaffirmed)

## 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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.25	ACUITE BB   Stable   Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Covid Emergency Line.	21 Jul 2020	Not avl. / Not appl.	21 Jun 2024	Simple	0.17	ACUITE BB   Stable   Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Covid Emergency Line.	11 Nov 2021	Not avl. / Not appl.	31 Oct 2026	Simple	1.76	ACUITE BB   Stable   Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.35	ACUITE A4+   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.71	ACUITE BB   Stable   Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	30 Mar 2021	Not avl. / Not appl.	31 May 2026	Simple	4.42	ACUITE BB   Stable   Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	30 Mar 2021	Not avl. / Not appl.	29 Mar 2028	Simple	0.84	ACUITE BB   Stable   Reaffirmed

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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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