



Press Release
WELSPUN BAPL PRIVATE LIMITED
October 25, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	55.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	45.00	-	ACUITE A2+ Assigned
Total Outstanding Quantum (Rs. Cr)	100.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 100.00 Cr bank facilities of Welspun BAPL Private Limited (WBPL). The outlook is '**Stable**'.

The rating derives comfort from the significant support from the Welspun group apart from the common management. Acuite believes that WBPL, aided by its comprehensive product portfolio, backed by strong group support, remains well positioned to benefit from a likely uptick in demand in the domestic CV industry, going forward. The rating also factors an expected improvement in the financial risk profile and scale of operation of WBPL over the medium term as new management has settled the external financial obligations. However, these strengths are partly offset by the susceptibility to volatility in raw material prices and high client concentration. Acuite notes that the company's revenues and earnings being susceptible to the inherent cyclicality of the domestic CV industry, with earnings and return indicators moderating during periods of downturns and improving thereafter as the industry volumes revive.

About the Company

Welspun BAPL Private Limited (erstwhile Plastauto Private Limited) was incorporated on July 12, 2021 as Tubular Pipes Private Limited. The name of the Company was subsequently changed to Plastauto Private Limited on October 18, 2022. The Company is engaged in the business of manufacture of injection moulded plastic components for the automotive industry. The Company's business was earlier part of auto division of Sintex BAPL Limited (Sintex BAPL). Sintex BAPL had been admitted under Insolvency & Bankruptcy Code and Resolution Plan for acquisition of Sintex BAPL by Welspun Group, approved by NCLT vide its order dated March 17th 2023. Post the scheme becoming effective, SABPL transferred automotive business to - Welspun BAPL Private Limited (erstwhile Plastauto Private Limited) for Rs. 110 Cr as on 29th of March 2023.

Standalone (Unsupported) Rating

Not applicable

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of WBPL to arrive at the rating. While arriving at the rating of WBPL, Acuite has taken into account a strong level of support from the Welspun group with 100 per cent of the stake being held by trustee Mr. B.K. Goenka on behalf of the Welspun Group Master Trust.

Key Rating Drivers

Strengths

Strong parentage and resourceful promoters

Welspun BAPL Private Limited (erstwhile Plastauto Private Limited) is a part of the Welspun Group, with 100 per cent of the stake being held by trustee Mr. B.K. Goenka on behalf of the Welspun Group Master Trust. Welspun Group, promoted by Mr. Balkrishnan G Goenka and Mr. Rajesh R Mandawewala since 1985, is headquartered in Mumbai and has presence across varied business segment such as Home Textiles, Line Pipes, Infrastructure, Steel, Oil & Gas, Retail and Flooring Solutions.

Expected ramp up in operations

The company commenced operations in April 2023, since till March 29, 2023, the company was one of the divisions (auto division) of Sintex BAPL Limited. WBPL is likely to benefit from strong reputation and financial flexibility of the Welspun Group, besides the extensive experience of its management team. Acuité also expects the group to extend need-based support to WBPL going forward. The company's revenues are estimated to be around Rs. 320-340 Cr in FY2024, which will be its first full year of operations. Further, the company possess an extensive pan-India manufacturing footprint with 6 strategically located unit across the country catering to all major OEMs. The strategic location provides an advantage to the company in terms of proximity to key customers namely Tata Motors, Maruti Suzuki, Hyundai, Force Motors, etc, respectively. Further, manufacturing units are located close to steel suppliers manufacturing locations or their key distribution hubs.

Improving financial risk profile

In FY23 new management has settled entire previous financial obligation, improving the overall financial risk profile. Post the infusion of Rs. 30 Cr of non-interest bearing compulsorily convertible debentures (shall be converted anytime on or before December 31st, 2031) in FY23, the networth stood healthy at Rs. 124.86 Cr as on 31st March 2023. WBPL does not have any bank borrowings, as the previous debt of Sintex BAPL were settled. The gearing of the company is expected to remain comfortable in FY24 even though WBPL has planned to avail working capital limits in the near term. The company will incur regular modernization capex in FY24 which will improve operational efficiencies of manufacturing units and reduce the overheads going forward. This will help the company to improve its operating margins, which in turn will help the company to maintain comfortable coverage metrics. Hence, Acuité does not foresee any material impact on company's capital structure and debt metrics, in absence of any debt funded capex.

Weaknesses

Profitability susceptible to macro-economic factors, industry cyclicalities and raw material prices

The automobile industry is subjected to macro-economic headwinds emanating from inflationary pressure and economic slowdown. Economic downturns impact consumer spending on discretionary items, and hence slowdown in economic activity can impact industry sales and thus impact the company. Raw materials and components prices constituting more than 70 per cent of revenues are directly influenced by international commodity prices. However, Acuité believes the risk is mitigated to some extent as the increase in raw material prices are passed on to end customers, although with a lag.

Rating Sensitivities

- Any material decline in market share due to increased competition and entry of new players

All Covenants

None

Liquidity Position: Adequate

Net cash accrual is expected to be adequate in FY24 with the current fiscal marking its first full year of operation. The promoters are expected to infuse need based equity and unsecured loans to support the business. The sanctioned fund based limits are expected to provide cushion to the working capital cycle post disbursal. However, generation of expected cash accrual will be key rating sensitivity factor.

Outlook: Stable

Acuité believes that WBPL will continue to benefit over the medium term due to its experienced management, strong parentage and operational support from Welspun group. The outlook may be revised to 'Positive', in case of higher- than-expected revenues and profitability, while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

NA

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1.27	0.00
PAT	Rs. Cr.	(0.11)	0.00
PAT Margin	(%)	(8.63)	0.00
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	(6.88)	0.00

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

Brickworks vide its press release dated 9th Sept 2022, and rated the company to BWR D/D; Issuer Not Cooperating
Care Ratings vide its press release dated 16th May 2022, and rated the company to CARE D/D; Issuer Not Cooperating

Any other information

Revenue is accounted from 29th March to 31st March 2023 i.e. only for 3 working days in FY23, since acquisition was completed on 29th of March 2023.

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>
- 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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A- Stable Assigned
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	45.00	ACUITE A2+ Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A- Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Srijita Chatterjee Lead Analyst-Rating Operations Tel: 022-49294065 srijita.chatterjee@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.