

## Winsome Textile Industries Limited

August 02, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	194.59 (Enhanced from 190.31)	CARE BBB; Stable (Triple B; Outlook: Stable)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable)
Short Term Bank Facilities	222.09	CARE A3 (A Three)	Reaffirmed
<b>Total Bank Facilities</b>	<b>416.68</b> <b>(₹ Four Hundred Sixteen Crore and Sixty-Eight Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The revision in the long-term ratings assigned to the bank facilities of Winsome Textile Industries Limited (WTIL) factors in substantial improvement in operating performance of the company during FY22 (refers to the period from April 01 to March 31, 2022) driven by uptick in demand of yarn in the textile industry and the resultant improvement in sales realization. The ratings continue to derive strength from experienced promoters coupled with established track record of operations, reputed clientele, and diversified product portfolio. The rating strengths are however partially off-set by leveraged capital structure marked by high overall gearing, and susceptibility of profitability margins to volatility in cotton prices and government regulations.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in scale of operations with gross cash accruals above Rs.75.00 crore on a sustained basis.
- Improvement in capital structure with overall gearing below 1.00x.

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in scale of operations with PBILDT margin below 8.00% on a sustained basis.
- Deterioration in capital structure with overall gearing above 2.20x on a sustained basis.

### Detailed description of the key rating drivers

#### Key rating strengths

**Substantial improvement in scale of operations and profitability margins:** The total operating income of the company grew by 53.18% to Rs.955.53 crore in FY22 (PY: Rs.623.78 crore) driven by uptick in demand of yarn and consequent improvement in sales realization. The PBILDT margin of the company improved substantially to 14.39% in FY22 (PY: 9.17%) on account of various reasons including higher export incentive to the tune of Rs.22.55 crore (~4% of total exports in FY22) vis-à-vis Rs.5.58 crore (~2% of total exports in FY21) received by the company, reduction in power and fuel cost, and reduction in employee costs as a percentage of total operating income in FY22 due to substantial increase in scale of operations. Consequently, the company reported PAT margin of 4.76% in FY22 (PY: net loss of Rs.1.21 crore).

**Experienced promoters with established track record and reputed clientele:** WTIL was incorporated in 1980 by Mr. S.C. Bagrodia who has a vast experience of over 52 years in the textile industry. Currently, his son Mr. Ashish Bagrodia (Chairman and Managing Director) is looking after the overall operations of the company and has nearly two decades of experience in the textile industry. The promoters are assisted by a team of professionals who are experienced in their respective domains. The company has been in this line of business for nearly four decades now and has created established relations with their suppliers and buyers (both domestic and overseas). The company supplies yarn to many well-known domestic companies which in turn supply the finished product to reputed global brands like GAP, H&M, Marks & Spencer, Tommy Hilfiger etc.

**Diversified and value-added product portfolio:** The company is one of the largest manufacturers of Melange Yarn and dyed yarn in India. WTIL is involved into spinning of large variety of value-added fibre, silk, wool, linen, nylon, PVA, etc. in different blends and specialty products like slub yarn, mélange yarn, gassed mercerized yarns, etc. The company's product profile comprises almost 100% of value-added yarns. The company is also engaged in the manufacturing of knitted fabric of various blends. The company's product portfolio, being value added niche products, faces relatively lesser competition in domestic and global market which results in higher PBILDT margins as compared to grey yarn.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## Key rating weaknesses

**Leveraged capital structure:** The overall gearing of the company although high, improved to 1.85x as on March 31, 2022 (PY: 2.10x) on account of accretion of profits to net-worth. The debt profile of the company comprises of term loans to the tune of Rs.180.16 crore (~42% of total debt), working capital borrowings outstanding to the tune of Rs.126.26 crore (~29% of total debt) and L.C. Acceptances to the tune of Rs.122.14 crore (~29% of total debt). However, debt coverage indicators of the company improved substantially as reflected by PBILDT interest coverage ratio of 3.22x (PY: 1.72x) and total debt/GCA of 8.36x (PY: 20.87x) in FY22.

**Susceptibility of profitability margins to volatility in cotton prices and government regulations:** The domestic prices of cotton, the key input for spinners like WTIL, are governed by various factors like international prices, government regulations, the effect of monsoon, etc. Considering that the raw material costs accounted for a significant portion of the total income (~57% in FY22), any adverse fluctuations in the raw material prices can severely impact the profitability of WTIL. The sector is also susceptible to government interventions like fixing the minimum support price for cotton, imposing export ban on the yarn export, withdrawals of duties etc. All this has a direct bearing on the profitability margins of WTIL.

**Industry Prospects:** With structural shift in the international markets for speciality cotton-based yarns following the decision of the US to impose sanctions on Xinjiang- derived cotton exports from China, its likely to widen the export opportunity from India. China's speciality yarn exports are estimated to be ~200 billion dollars, the corresponding figure from India is a tenth of this figure. Even a 10 percent shift in exports from China to India could virtually double India's export of Speciality yarns.

**Liquidity: Adequate:** The liquidity profile of the company is adequate with projected gross cash accruals to the tune of Rs.63.36 crore against scheduled debt repayment of Rs.27.40 crore in FY23. Further, the company has free cash and bank balance to the tune of Rs.1.01 crore as on March 31, 2022. The debt service reserve account (DSRA) to the tune of 10.50 crore being maintained in the form of fixed deposit receipts. The average utilization of month end balance of working capital borrowings stood ~91% for the trailing 12 months ended June 2022. The company is projected to incur capex of Rs.52.00 crore pertaining to modernization cum debottlenecking to upgrade old plant & machinery which shall be funded through term loan of Rs.39.00 crore and remaining through internal accruals. In November 2020, the company had applied for OTR under the RBI's guidelines issued on August 06, 2020. Under one-time restructuring of existing term loans, the company was granted principal moratorium of 9 months (from October 01, 2020 to June 30, 2021) from all the banks except bank of Baroda where principal moratorium of 6 months was granted (from January 01, 2021 to June 30, 2021). However, no interest moratorium was granted to the company. The OTR was implemented on June 19, 2021. Further, the operating performance of the company in FY22 has been better than that envisaged at the time of OTR implementation in terms of scale, profitability and cash accruals.

**Analytical approach:** Standalone

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Cotton Textile](#)

[Manmade Yarn Manufacturing](#)

[Manufacturing Companies](#)

### About the company

Winsome Textile Industries Limited (WTIL) was incorporated as a Public Limited Company in 1980. WTIL operates from its manufacturing facility in Baddi, Himachal Pradesh. WTIL is engaged in the manufacturing of 100% cotton yarn and cotton yarn blended with viscose/ polyester/ acrylic/ linen/ wool and value-added yarns like melange and solid dyed. The company is also engaged in the manufacturing of knitted fabric of various blends. As on March 31, 2022, the company has an installed capacity of 1,10,000 spindles, yarn/fibre dyeing capacity of 30 MT (metric tonnes) per day and knitting capacity of 8 MT per day which is a forward integration into knitted fabrics from the mélange yarn. The company also operates a hydro power plant of 3.5 MW to meet a part of its power requirements. Apart from catering to the domestic market, the company also exports its products with the export income constituting ~63% of the total income in FY22 (~45% in FY21).

Brief Financials (₹ crore)	FY21 (A)	FY22 (A)	Q1FY23 (P)
Total operating income	623.78	955.53	NA
PBILDT	57.19	137.53	NA
PAT	-1.21	45.49	NA
Overall gearing (times)	2.10	1.85	NA
Interest coverage (times)	1.72	3.22	NA

A: Audited, P: Provisional, NA: Not available

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-		18.01	CARE BBB; Stable
Fund-based - ST-EPC/PSC		-	-	-	39.99	CARE A3
Non-fund-based - ST-BG/LC		-	-	-	142.10	CARE A3
Fund-based - LT-Term Loan		-	-	December, 2027	153.50	CARE BBB; Stable
Fund-based - LT-Working Capital Demand loan		-	-	-	23.08	CARE BBB; Stable
Fund-based - ST-PC/Bill Discounting		-	-	-	40.00	CARE A3

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	18.01	CARE BBB; Stable	-	1)CARE BBB-; Stable (05-Oct-21)	1)CARE BBB-(CWN) (20-Nov-20) 2)CARE BBB-; Negative (20-Aug-20)	1)CARE BBB-; Stable (07-Oct-19)
2	Fund-based - ST-EPC/PSC	ST	39.99	CARE A3	-	1)CARE A3 (05-Oct-21)	1)CARE A3 (CWN) (20-Nov-20) 2)CARE A3 (20-Aug-20)	1)CARE A3 (07-Oct-19)
3	Non-fund-based - ST-BG/LC	ST	142.10	CARE A3	-	1)CARE A3 (05-Oct-21)	1)CARE A3 (CWN) (20-Nov-20) 2)CARE A3 (20-Aug-20)	1)CARE A3 (07-Oct-19)
4	Fund-based - LT-Term Loan	LT	153.50	CARE BBB; Stable	-	1)CARE BBB-; Stable (05-Oct-21)	1)CARE BBB-(CWN) (20-Nov-20) 2)CARE BBB-; Negative (20-Aug-20)	1)CARE BBB-; Stable (07-Oct-19)
5	Fund-based - LT-Working Capital Demand loan	LT	23.08	CARE BBB; Stable	-	1)CARE BBB-; Stable (05-Oct-21)	1)CARE BBB-(CWN) (20-Nov-20) 2)CARE BBB-; Negative (20-Aug-20)	1)CARE BBB-; Stable (07-Oct-19)
6	Fund-based - ST-PC/Bill Discounting	ST	40.00	CARE A3	-	1)CARE A3 (05-Oct-21)	1)CARE A3 (CWN) (20-Nov-20) 2)CARE A3 (20-Aug-20)	1)CARE A3 (07-Oct-19)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities-** Not applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working Capital Demand loan	Simple
4	Fund-based - ST-EPC/PSC	Simple
5	Fund-based - ST-PC/Bill Discounting	Simple
6	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Bank lender details for this company**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

## Contact us

### Media contact

Name: Mradul Mishra

Phone: +91-22-6754 3596

E-mail: [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

### Analyst contact

Name: Sachin Mathur

Phone: 9810865435

E-mail: [sachin.mathur@careedge.in](mailto:sachin.mathur@careedge.in)

### Relationship contact

Name: Swati Agrawal

Phone: +91-11-4533 3200

E-mail: [swati.agrawal@careedge.in](mailto:swati.agrawal@careedge.in)

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information, please visit [www.careedge.in](http://www.careedge.in)**