

Winsome Textile Industries Limited

June 01, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	209.78 (Enhanced from 194.59)	CARE BBB; Stable	Reaffirmed
Short Term Bank Facilities	282.10 (Enhanced from 222.09)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Winsome Textile Industries Limited (WTIL) derive strength from experienced promoters coupled with established track record of operations, reputed clientele, and diversified product portfolio. The ratings also factor in stable scale of operations with moderation in operational profitability of the company during FY23 (refers to the period April 1 to March 31) owing to weak export demand due to global recessionary trends adversely impacting the operational performance on a full year basis. 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: Factors likely to lead to rating actions

Positive factors

- 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

- 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.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects company to have stable operational performance. CARE Ratings also believes that the WTIL shall sustain its comfortable financial risk profile over the medium term.

Detailed description of the key rating drivers:

Key strengths

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.

Stable scale of operations albeit moderation in profitability margins: The total operating income of the company moderated by ~8% to Rs.876.03 crore in FY23 (PY: Rs.955.53 crore) driven by moderation in the sales realizations for yarn segment. The PBILDT margin of the company also moderated to 10.57% in FY23 (PY: 14.39%) on account of fluctuation in the

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

raw material prices resulting in moderation in sales realizations. Further, the exports of the company also reduced during FY23 which resulted in moderation in margins since exports have better sales realizations and margins. Consequently, the company reported PAT margin of 2.80% in FY23 as against 4.76% in FY22.

Key weaknesses

Leveraged capital structure: The overall gearing of the company although high, improved to 1.58x as on March 31, 2023 (PY: 1.85x) primarily on account of accretion of profits to net-worth and reduction in total net worth. Debt coverage indicators of the company moderated slightly with Interest coverage of 2.38x for FY23 and Total debt to GCA of 8.86x as on March 31, 2023 (PY: 3.22x and 8.36x respectively).

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. The raw material costs accounted for a significant portion of the total income (~55-60% of TOI) and 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, which has a direct bearing on the profitability margins of WTIL.

Liquidity: Adequate

The liquidity profile of the company is adequate with projected gross cash accruals to the tune of ~Rs.50.5 crore against scheduled debt repayment of ~Rs.37 crore in FY24. Further, the company has free cash and bank balance to the tune of Rs.2.17 crore as on March 31, 2023. 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 ~79% for the trailing nine months ended March 2023. The company is incurring capex of Rs.52 crore pertaining to modernization cum debottlenecking to upgrade old plant & machinery which shall be funded through term loan of ~Rs.39.00 crore which is already tied up and remaining through internal accruals. Part of the said capex was already done during FY23 and is expected to be completed by March 2024.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Cotton Textile](#)

[Manufacturing Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

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, 2023, 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 ~46% of the total income in FY23 (~63% in FY22).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	955.53	876.03
PBILDT	137.53	92.56
PAT	45.49	24.52
Overall gearing (times)	1.85	1.58

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Interest coverage (times)	3.22	2.38

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

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 - LT-Term Loan	-	-	-	September 2029	168.69	CARE BBB; Stable
Fund-based - LT-Working Capital Demand loan	-	-	-	-	23.08	CARE BBB; Stable
Fund-based - ST-EPC/PSC	-	-	-	-	55.00	CARE A3
Fund-based - ST-PC/Bill Discounting	-	-	-	-	65.00	CARE A3
Non-fund-based - ST-BG/LC	-	-	-	-	162.10	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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	18.01	CARE BBB; Stable	-	1)CARE BBB; Stable (02-Aug-22)	1)CARE BBB-; Stable (05-Oct-21)	1)CARE BBB- (CW with Negative Implications) (20-Nov-20) 2)CARE BBB-; Negative (20-Aug-20)
2	Fund-based - ST-EPC/PSC	ST	55.00	CARE A3	-	1)CARE A3 (02-Aug-22)	1)CARE A3 (05-Oct-21)	1)CARE A3 (CW with Negative Implications) (20-Nov-20) 2)CARE A3 (20-Aug-20)
3	Non-fund-based - ST-BG/LC	ST	162.10	CARE A3	-	1)CARE A3 (02-Aug-22)	1)CARE A3 (05-Oct-21)	1)CARE A3 (CW with Negative Implications) (20-Nov-20) 2)CARE A3 (20-Aug-20)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	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
4	Fund-based - LT-Term Loan	LT	168.69	CARE BBB; Stable	-	1)CARE BBB; Stable (02-Aug-22)	1)CARE BBB-; Stable (05-Oct-21)	1)CARE BBB-(CW with Negative Implications) (20-Nov-20) 2)CARE BBB-; Negative (20-Aug-20)
5	Fund-based - LT-Working Capital Demand loan	LT	23.08	CARE BBB; Stable	-	1)CARE BBB; Stable (02-Aug-22)	1)CARE BBB-; Stable (05-Oct-21)	1)CARE BBB-(CW with Negative Implications) (20-Nov-20) 2)CARE BBB-; Negative (20-Aug-20)
6	Fund-based - ST-PC/Bill Discounting	ST	65.00	CARE A3	-	1)CARE A3 (02-Aug-22)	1)CARE A3 (05-Oct-21)	1)CARE A3 (CW with Negative Implications) (20-Nov-20) 2)CARE A3 (20-Aug-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the 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: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the 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 for any clarifications.

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About us:

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