

## Winsome Textile Industries Limited

June 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	171.65 (Reduced from 209.78)	CARE BBB; Stable	Reaffirmed
Short Term Bank Facilities	282.00 (Reduced from 282.10)	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) derives 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 during FY24 (refers to the period April 1, 2023 to March 31, 2024). These rating strengths are however partially offset by leveraged capital structure marked by high overall gearing, modest profitability margins owing to industry headwinds in wake of high repayment obligations 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

- Inability to improve debt coverage metrics with total debt/PBILDT above 4.00x 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. 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. He is 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 its 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. WTIL 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 profitability margins as compared to grey yarn.

**Stable scale of operations:** The total operating income of the company moderated marginally by ~6% to Rs.823.32 crore in FY24 (PY: Rs.876.03 crore) largely owing to decline in realization price of yarn. The PBILDT and PAT margin of the company remained at similar level at 10.66% (PY: 10.57%) and 2.27% (PY: 2.80%) respectively in FY24. Going forward, CARE expects the PBILDT margin of the company to improve and remain in the range of ~12%-13% owing to increase in contribution from higher profitability margin products (higher value-added yarn) as compared to earlier.

<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 weaknesses

**Levered Capital Structure:** The overall gearing of the company continued to remain high at 1.54x as on March 31, 2024 (PY: 1.58x). Debt coverage indicators of the company moderated slightly with Interest coverage of 2.01x (PY: 2.38x) for FY24 and Total debt to GCA of 10.51x (PY: 8.86x) as on March 31, 2024.

**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, withdrawal of duties etc, which has a direct bearing on the profitability margins of WTIL.

**Industry Outlook:** Exports of yarn is expected to improve in CY 2024 (refers to the period from January 01, 2024 to December 31, 2024) owing to revival in US economy, improvement in domestic demand, gradual recovery in exports, and lower cotton prices. Further, the luxury sector is relatively immune to economic cycles and can be an opportunity for India's rich tradition in weaving and embroidery.

**Liquidity: Adequate:** The liquidity position of the company is adequate as reflected by projected gross cash accruals of Rs.60.55 crore in FY25 against scheduled term loan repayments of Rs.42.20 crore. Further, average month end utilization of working capital borrowings stood ~81% for the trailing 12 months ending March 31, 2024. The company had free cash and bank balance of Rs.0.60 crore as on March 31, 2024. WTIL is planning to incur capex of ~Rs.65.00 crore in the next 2 financial years pertaining to upgradation of existing machines and addition of balancing/support machinery to produce higher profitable products within the company's existing product matrix to meet the increasing demand for such products. The company also proposes to install a new boiler to reduce cost of steam generation as well as to meet the increasing compliances of its customers. The same is proposed to be funded through term loan (~74%) and remaining from internal accruals (~26%). Further, cash flow from operations remained healthy at Rs.80.96 crore in FY24 (PY: Rs.89.75 crore) with incremental working capital gap being funded by credit from suppliers.

## Applicable criteria

[Definition of Default](#)

[Cotton Textile](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[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

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, 2024, 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 ~52% of the total income in FY24 (~46% in FY23).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	876.03	823.32
PBILDT	92.56	87.80
PAT	24.52	18.69
Overall gearing (times)	1.58	1.54
Interest coverage (times)	2.38	2.01

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	24.32	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	September, 2029	130.65	CARE BBB; Stable
Fund-based - LT-Working Capital Demand loan		-	-	-	16.68	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		-	-	-	162.00	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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	24.32	CARE BBB; Stable	-	1)CARE BBB; Stable (01-Jun-23)	1)CARE BBB; Stable (02-Aug-22)	1)CARE BBB-; Stable (05-Oct-21)
2	Fund-based - ST-EPC/PSC	ST	55.00	CARE A3	-	1)CARE A3 (01-Jun-23)	1)CARE A3 (02-Aug-22)	1)CARE A3 (05-Oct-21)
3	Non-fund-based - ST-BG/LC	ST	162.00	CARE A3	-	1)CARE A3 (01-Jun-23)	1)CARE A3 (02-Aug-22)	1)CARE A3 (05-Oct-21)
4	Fund-based - LT-Term Loan	LT	130.65	CARE BBB; Stable	-	1)CARE BBB; Stable	1)CARE BBB; Stable	1)CARE BBB-; Stable

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	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
						(01-Jun-23)	(02-Aug-22)	(05-Oct-21)
5	Fund-based - LT-Working Capital Demand loan	LT	16.68	CARE BBB; Stable	-	1)CARE BBB; Stable (01-Jun-23)	1)CARE BBB; Stable (02-Aug-22)	1)CARE BBB-; Stable (05-Oct-21)
6	Fund-based - ST-PC/Bill Discounting	ST	65.00	CARE A3	-	1)CARE A3 (01-Jun-23)	1)CARE A3 (02-Aug-22)	1)CARE A3 (05-Oct-21)

LT: Long term; ST: 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](mailto:care@careedge.in) for any clarifications.

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### About us:

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### Disclaimer:

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