

## Wfb Baird And Company India Private Limited

October 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	18.67	CARE BBB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	90.00 (Reduced from 140.00)	CARE BBB; Stable / CARE A3+	Reaffirmed
Short Term Bank Facilities	388.00 (Enhanced from 338.00)	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers for credit enhanced debt

Reaffirmation of ratings assigned to the long-term and short-term bank facilities of Wfb Baird and Company India Private Limited (WFB) continues to factor in long track record in linen business, consistent growth in revenue of WFB, after it was impacted by Covid-19 in FY21. While FY23 growth was price driven, FY24 revenues grew primarily due to increase in volumes. CARE Ratings Limited (CARE Ratings) expects company would maintain growth trajectory despite slowdown in its export markets due to adequate order book position with pickup in textile demand around the world and increased popularity of comfort linen clothing in fashion industry. Ratings also continue to derive strength from WFB's diversified strong clientele base and increasing domestic presence.

While the scale witnessed an improvement with stable profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins in FY24. However, the company reported a negative cash flow operations in FY24, thus resulting in increased reliance on bank borrowings, thus resulting in further moderation in total outside liability to total net worth (TOL/TNW). Also, post Covid-19, LC limit requirement has risen as Chinese yarn suppliers are seeking higher LC of 70% of purchase amount as against 25-30% pre Covid level, which continued in FY24. CARE Ratings also take note of substantial increase in LC limits to take care of increasing scale and to meet its increased requirement of LC margin. Ratings are also constrained by susceptibility of operating margins to volatile raw-material price and seasonality in its export operations.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in TOL/TNW below 1.5x while continuing its growth in scale and improvement in its profitability margin.

#### Negative factors

- Deterioration on TOL/TNW beyond 2.5 times on a sustained basis.
- Notable decline in TOI and PBILDT margin falling below 5%.

### Analytical approach: Standalone

#### Outlook: Stable

The 'Stable' outlook indicates CARE Ratings' expectation that WFB will maintain credit profile marked by satisfactory order book position as a result of its long standing experience and established client base.

### Detailed description of key rating drivers:

#### Key strengths

##### Long and satisfactory track record of operations

The company is promoted by William James Burgoyne who is also the company's chairman with a professional experience of 37 years.

WFB India is part of over a century old Irish WFB group which specialises in manufacturing and processing linen. Union Street (Lurgan) Limited is the holding company of the group and has seven subsidiaries present in Ireland, USA, Estonia and Poland.

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

The subsidiaries operate at various stages of linen manufacturing from spinning, weaving and processing. To diversify out of Europe, WFB India was incorporated in 2004 and since then the company's operations had scaled up over the years.

### **Established relationship with reputed global players and significant domestic presence**

The company supplies to renowned players in the international market like Polo, Marks & Spencer, and Banana Republic among others. WFB garnered 63% of the total sales from exports in FY24 and balance (₹238 crore) share of 37% was from domestic. In the domestic market, the company sells to leading garment brands including Reliance, Myntra, and Levis among others. The company also sells the products

under retail brand "Burgoyne". The revenue from its own brand was at ₹97 crore in FY24 and ₹8 crore in Q1FY25.

The company supplies to renowned players in the international market, WFB's customer profile is moderately concentrated, marked by ~28% of sales (PY: 25%) contributed by its top five export customers and ~8% (PY: 15%) by its top five domestic customers in FY24. However, the sales concentration risk has slightly reduced as compared to FY23 more particularly in the export market with introduction of new clients in their business such as Marco POLO, Tommy Hilfiger, Banana Republic, Pepe and Superdry. There is a consistent growth in the domestic revenue share which has increased considerably over s in absolute terms and the share of which was at 37% (Slight moderation in FY24). The sales in domestic as well as its own brand is expected to remain largely stable at current levels in absolute terms and compared to exports sales.

### **Growth in order book position despite western economy slowdown**

Despite head winds in western economy, the company continue to have healthy order book, the order book stood at about of sale of 9.35 mn Yard fabric as on July 15, 2024, nonetheless in Q1FY25 the company has sold 1.14 mn Yard. Based on its orderbook position and recovery expected in export market, CARE Ratings estimates 8%-10% growth in volume in FY25 over FY24 maintaining growth trajectory.

### **Continuing growth in scale of operations**

The company's scale continued to grow and increased by 25% in FY24 (PY: 42% on Y-o-Y basis), primarily led by increase in volumes, which grew by 13% on a Y-o-Y basis to 14.2 mn yard in FY24. Volumes are estimated to grow by 8-10% on Y-o-Y basis in the near-to-medium term. The company is expected to sustain improved sales, considering adequate order book position.

### **Key weaknesses**

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

The company's debt level over the years increased due to higher inventory levels and overall gearing (including acceptance) as on March 31, 2024, was 1.38x (FY23: 1.44x), whereas TOL/TNW ratio deteriorated to 2.13x in FY24 (PY: 1.95x) with higher WC utilisation as a result of increase in scale. Moderation in gearing is also due to continued high margin requirement against LC post covid.

### **Working capital intensive nature of operations**

Linen is manufactured from the fibre of flax plant, a seasonal crop, and linen wear is in demand in export destinations (US and UK) in the summer season, and thus, WFB India witnesses a certain level of seasonality in its operations. The seasonal nature is also the cause for WFB's inventory, which consequently leads to the rising of the borrowing levels in October to February season, which tapers down post-April. Post the COVID-induced supply chain constraints, the majority linen yarn suppliers are demanding LC. Therefore, LC limits have been enhanced substantially to take care of increasing scale and to meet its increased requirement of LC margin, also by conversion of fund-based limits in the season. Notably, 80% exports are LC-backed and WFB discounts LCs to manage liquidity. The company's inventory holding levels remained high at 101 days (PY: 101 days).

### **Liquidity: Adequate**

WFB's liquidity profile remain adequate marked by healthy GCA as against its scheduled repayment obligations, moderately high utilisation of fund based limits at 80% and non-fund based limits at 82% post enhancement in NFB Limits for the last 12 months ended July 2024. As on March 31, 2024, the company had an un-encumbered cash balance of ₹4.64 crore. The company reported a GCA of ₹21 crore in FY24 and is projected to report a GCA of over ₹25 crore in projected years with repayment obligation of ~₹5.42 crore in FY25.

### **Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Cotton Textile](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)  
[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Textiles	Textiles & apparels	Other textile products

WFB India is part of WFB Baird group based out of Ireland. The group primarily operates in weaving and processing linen fabric. The group established the manufacturing unit (weaving and processing) in India at Cochin Special Economic Zone (CSEZ) in 2004, which commenced operations in November 2005. In February 2017, the company commenced operations in its Erode plant (weaving and processing). Erode unit majorly caters the domestic demand, whereas Cochin unit takes care of the export demand. The company also commissioned a spinning plant in Chittod, Erode (TN) to cater linen yarn to its weaving mills in FY20. The spinning mill can cater to 1/3rd of the company's linen yarn requirement.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	511.74	638.02	58
PBILDT	33.43	45.20	-5
PAT	9.50	14.99	-12
Overall gearing (times)	1.44	1.38	NA
Interest coverage (times)	2.56	2.48	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

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

**Any other information:** Not applicable

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

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BBB; Stable
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	90.00	CARE BBB; Stable / CARE A3+
Fund-based - ST-EPC/PSC		-	-	-	53.00	CARE A3+
Non-fund-based - ST-Letter of credit		-	-	-	333.00	CARE A3+
Non-fund-based - ST-Loan Equivalent Risk		-	-	-	2.00	CARE A3+
Term Loan-Long Term		-	-	27-09-2026	8.67	CARE BBB; Stable

**Annexure-2: Rating history for 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	10.00	CARE BBB; Stable	-	1)CARE BBB; Stable (03-Nov-23)	1)CARE BBB; Stable (14-Nov-22) 2)CARE BBB; Stable (31-Oct-22)	1)CARE BBB-; Positive (08-Feb-22)
2	Fund-based - ST-EPC/PSC	ST	53.00	CARE A3+	-	1)CARE A3+ (03-Nov-23)	1)CARE A3+ (14-Nov-22) 2)CARE A3+ (31-Oct-22)	1)CARE A3 (08-Feb-22)
3	Fund-based - LT/ST-CC/PC/Bill Discounting	LT/ST	90.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (03-Nov-23)	1)CARE BBB; Stable / CARE A3+ (14-Nov-22) 2)CARE BBB; Stable / CARE A3+ (31-Oct-22)	1)CARE BBB-; Positive / CARE A3 (08-Feb-22)
4	Non-fund-based - ST-Letter of credit	ST	333.00	CARE A3+	-	1)CARE A3+ (03-Nov-23)	1)CARE A3+ (14-Nov-22) 2)CARE A3+ (31-Oct-22)	1)CARE A3 (08-Feb-22)
5	Non-fund-based - ST-Loan Equivalent Risk	ST	2.00	CARE A3+	-	1)CARE A3+	1)CARE A3+	1)CARE A3

						(03-Nov-23)	(14-Nov-22) 2)CARE A3+ (31-Oct-22)	(08-Feb-22)
6	Term Loan-Long Term	LT	8.67	CARE BBB; Stable	-	1)CARE BBB; Stable (03-Nov-23)	1)CARE BBB; Stable (14-Nov-22) 2)CARE BBB; Stable (31-Oct-22)	1)CARE BBB-; Positive (08-Feb-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
3	Fund-based - ST-EPC/PSC	Simple
4	Non-fund-based - ST-Letter of credit	Simple
5	Non-fund-based - ST-Loan Equivalent Risk	Simple
6	Term Loan-Long Term	Simple

#### Annexure-5: Lender details

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

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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### About us:

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