

AUGUST 27, 2015

CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES OF WELSPUN SYNTEX LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	150.27 (enhanced from 121.06)	CARE A (Single A)	Revised from CARE BBB+ [Triple B Plus]
Short term Bank Facilities	206.00	CARE A1 (A One)	Revised from CARE A3+ [A Three Plus]
Total Facilities	356.27		

Rating Rationale

The revision in the rating factors in improvement in operating profitability during FY15 (refers to the period April 1, 2014 to March 31, 2015) and Q1FY16 (refers to the period April 1, 2015 to June 30, 2015) with the benefit of successful completion of the major capex project which was incurred to 1) convert its polyester based facilities to nylon based facilities (around 60% of the current yarn capacities are now nylon based) and 2) to set up Bulk Continuous Filament (BCF) yarn capacities. The ratings revision also takes into consideration the improvement in the liquidity position of the company due to increased profitability of the company. Further, the ratings draw comfort from company's strong positioning in Indian nylon yarn market and leadership position in the Indian BCF yarn market. The ratings are also supported by the resourcefulness of the promoters (i.e. Welspun group) and significant experience of the management in the textiles business.

The ratings, however, continue to be constrained by the leveraged capital structure as well as, exposure to risk of fluctuation in raw material prices and foreign exchange currency. WSL's ability to achieve the envisaged growth in revenue while maintaining healthy profitability and improve financial risk profile are key rating sensitivities. Moreover, addition of any large-sized project impacting financial risk and/or business risk profile of the company are also a rating sensitivity.

Background

Established in 1983, WSL is a part of the Welspun group, promoted by Late Mr. G.R. Goenka, Mr. B.K. Goenka and Mr. R.R. Mandawewala. WSL is engaged in manufacturing of wide range of texturized/twisted/dyed polyester and nylon yarn from its two manufacturing units located at Silvassa and Palghar (Dist. Thane, Maharashtra). The company has facilities for manufacturing Partially Oriented Yarn (POY)/Fully Drawn Yarn (FDY) (capacity of 25,387 tonnes per annum (tpa)) from chips as well as for texturizing, twisting, and dyeing/dope dyeing (total capacity of 43,061 tpa) for higher value addition. WSL has also developed varieties of yarn, i.e. air texturized yarn, mono filament yarn, slub yarn, bishrinkage yarn and other fancy yarns. WSL is an leader in Bulk Continuous Filament (BCF) yarn (capacity of 4,396 tpa) used in carpet/rug manufacturing. The company periodically changes its product mix in line with the market requirements while keeping focus on high value products catering to the niche market.

During FY15, WSL posted a total income of Rs.837.05 crore with a PAT of Rs.42.75 crore. Further, in Q1FY16 the company reported a total income of Rs.194.54 crore and a PAT of Rs.16.94 crore.

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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