

JANUARY 12, 2015

CARE REVISES AND REAFFIRMS THE RATING ASSIGNED TO BANK FACILITIES OF WELSPUN SYNTEX LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	133.12 (enhanced from 121.06)	CARE BBB+ (Triple B Plus)	Revised from CARE BBB (Triple B)
Short term Bank Facilities	206.00 (enhanced from 153.61)	CARE A3+ (A Three Plus)	Reaffirmed
Total Facilities	339.12		

Rating Rationale

The revision in the long-term rating factors in improvement in operating profitability during FY14 (refers to the period April 1, 2013 to March 31, 2014) and H1FY15 (refers to the period April 1, 2014 to September 30, 2014) with the benefit of successful completion of the major capex project and achievement of optimal level of operations from the new/expanded capacities. Further, the ratings continue to draw comfort from 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 fairly leveraged capital structure as well as restrained liquidity position, exposure to risk of fluctuation in raw material prices and foreign exchange currency and muted outlook of the man-made fibre industry in the short-term.

WSL's ability to achieve the envisaged growth in revenue while maintaining healthy profitability and improve financial risk profile are the key rating sensitivities. Moreover, addition of any large-sized project impacting financial risk and/or business risk profile of the company is 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 31,809 tonnes per annum (tpa)) from chips as well as for texturizing, twisting, and dyeing/dope dyeing (total capacity of 48,039 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. In July, 2013, WSL introduced Bulk Continuous Filament (BCF) yarn (capacity of 5,733 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.

WSL completed its major capacity expansion project in a phased manner by December 15, 2013 with a total project outlay of Rs.150.68 crore. In this project, WSL mainly increased texturizing capacity, spinning capacity of nylon mother yarn and added facilities for manufacturing BCF yarn. Now, the company proposes to install additional machinery for manufacturing of BCF yarn (540 tpa) at an investment of around Rs.10 crore.

During FY14, WSL posted a total income of Rs.898.88 crore with a PAT of Rs.19.69 crore. Further, the company posted a total income of Rs.430.63 crore and a PAT of Rs.22.70 crore during H1FY15.

Analyst Contact

Name: Puneet Bhatia

Tel # +91-22-6754 3453

Email: puneet.bhatia@careratings.com

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.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra

Managing Director
 Mobile: +91-98204 16002
 E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director
 Mobile: +91-98204 16001
 E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President - Bank Loan & Instrument Rating
 Mobile: +91-9819009839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President - Bank Loan & Financial Services
 Mobile: +91-9819698985
 E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya

32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-98242 56265
 Tel: +91-79-4026 5656
 E-mail: mehul.pandya@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla

304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 - 94139 69100
 Tel: +91-141-402 0213 / 14
 E-mail: harshraj.sankhla@careratings.com

BENGALURU
Mr. Dinesh Sharma

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91-99000 41975
 Tel: +91-80-4115 0445, 4165 4529
 E-mail: dinesh.sharma@careratings.com

KOLKATA
Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH
Mr. Sajan Goyal

2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: sajan.goyal@careratings.com

NEW DELHI
Ms. Swati Agrawal

13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI
Mr. V Pradeep Kumar

Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE
Mr. Rahul Patni

9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-78754 33355
 Tel: +91-20- 4000 9000
 E-mail: rahul.patni@careratings.com

HYDERABAD
Mr. Saikat Roy

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Tel: +91-40-4010 2030
 E-mail: saikat.roy@careratings.com

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