

## Wires & Fabriks (SA) Ltd.

March 23, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	45.94	<b>CARE BBB+; Stable (Triple B Plus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Short-term Bank Facilities	10.25	<b>CARE A3+ (A Three Plus)</b>	<b>Reaffirmed</b>
Long-term/ Short-term Bank Facilities	29.15 (enhanced from 26.45)	<b>CARE BBB+; Stable/ CARE A3+ (Triple B Plus; Outlook: Stable)/ (A Three Plus)</b>	<b>Reaffirmed</b>
<b>Total facilities</b>	<b>85.34 (Rupees Eighty Five crore and Thirty Four lakh only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings continue to draw strength from the experience of the promoters of Wires & Fabriks (S.A.) Ltd (WFL) in the technical textile industry, its established track record of operations in the niche segment of paper machine clothing and supply of chemicals used in paper manufacturing. The ratings further draw comfort from WFL's long-standing relationship with its suppliers as well as clientele; and its moderate profitability and liquidity. The ratings also take cognizance of improvement in profitability during 9MFY17.

The ratings, however, continue to be constrained by WFL's modest scale of operations which exhibits high working capital intensity, its moderately leveraged capital structure and competition from imports; although WFL enjoys a good market share in its key product segment in the domestic market.

WFL's ability to increase its scale of operations through penetration in the export market and realize envisaged benefits of the techno-upgradation project completed in 9MFY17 along with improvement in its profitability and capital structure would be the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Promoter's vast experience:** WFL has established track record of more than five decades in manufacturing paper machine clothing which finds application in filtration and drying process in paper manufacturing. Incorporated in 1957, WFL started commercial operations at its manufacturing facility located at Jhotwara, Jaipur in 1963.

**Operates in the niche segment with strong association with leading paper manufacturers:** WFL manufactures synthetic fabric (technical textile), which is one of the critical inputs in the paper manufacturing process. WFL is one of the largest players in manufacturing of technical textiles for paper industry in the organized sector in India.

#### Key Rating Weaknesses

**Working capital intensive nature of operations:** WFL's operations continue to remain inherently working capital intensive primarily due to its dependence on imports for its key raw materials (requiring a longer lead time for delivery) apart from extended credit period offered to its customers; although there has not been any major instance of bad debt in the past.

**Moderate Scale of Operations with moderately leveraged profile:** The total operating income (TOI) of WFL has been increasing gradually over the period FY11 to FY15 though the same has marginally declined during FY16 despite higher growth in its chemical trading business. Woven cloth segment income has marginally declined during FY16 after

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

continuously growing for past three years. WFL's capital structure also remained moderately leveraged due to term debt for capital expenditure as well as reliance on bank borrowings for working capital.

#### **Moderate profitability margins**

During FY16, the PBILDT margin of WFL declined by 94 bps on account of increase in income from chemical trading business which fetches lower margin and also due to lower sales realizations of woven wire cloth in FY16. Further, PBILDT margins improved during 9MFY17 on y-o-y basis mainly due to sale of more value added products post-completion of techno-upgradation project and curtailment of administration expenses. However, PAT margin has deteriorated by 236 bps in FY16 in line with deterioration in PBILDT margin and increase in depreciation cost and interest cost.

**Analytical approach:** Standalone

#### **Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

#### **About the Company**

Wires & Fabriks (SA) Ltd. (WFL) was established in 1957, as a Private limited Company by Mr. B. K. Khaitan, Mr. K. K. Khaitan and Mr. M.K. Khaitan. Subsequently Mr. B. K. Khaitan retired in August 2014 and WFL's operations are managed by Mr. M. K. Khaitan and Mr. K. K. Khaitan. WFL is mainly engaged in manufacturing of technical textiles particularly paper machine clothing used in filtration and drying process in paper industry at its facility in Jhotwara, Jaipur. Over the years, WFL has enhanced its product portfolio by manufacturing different varieties of paper machine cloth (i.e. double and triple layered synthetic fabrics) and it has increased manufacturing capacity through continuous technology up-gradation. From FY10, WFL has entered into a technical collaboration with Albany International Corp., U.S.A (AIC; a global leader in paper cloth manufacturing). Apart from manufacturing, WFL is also engaged in trading of industrial chemicals that are used in paper industry. As on March 31, 2016 WFL had five wind mills having aggregate installed capacity of 4.25 MW to meet captive power requirement.

During FY16, WFL reported a total operating income (TOI) of Rs.99.82 crore (FY15: Rs.100.28 crore) with PAT of Rs.1.42 crore (FY15: PAT of Rs.3.79 crore). Furthermore, as per provisional results for 9MFY17, WFL reported TOI of Rs.72.87 crore with PAT of Rs.1.10 crore.

**Status of non-cooperation with previous CRA:** None

**Any other information:** None

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	Sept - 2024	45.94	CARE BBB+; Stable
Non-fund-based-Short Term	-	-	-	7.75	CARE A3+
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	28.25	CARE BBB+; Stable / CARE A3+
Non-fund-based-LT/ST	-	-	-	0.90	CARE BBB+; Stable / CARE A3+
Fund-based - ST-SLC-WC	-	-	-	2.50	CARE A3+

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Term Loan-Long Term	LT	45.94	CARE BBB+; Stable	1)CARE BBB+ (19-Apr-16)	-	1)CARE BBB+ (23-Mar-15)	1)CARE BBB+ (18-Feb-14)
2.	Non-fund-based-Short Term	ST	7.75	CARE A3+	1)CARE A3+ (19-Apr-16)	-	1)CARE A3+ (23-Mar-15)	1)CARE A3+ (18-Feb-14)
3.	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	28.25	CARE BBB+; Stable / CARE A3+	1)CARE BBB+ (19-Apr-16)	-	1)CARE BBB+ (23-Mar-15)	1)CARE BBB+ (18-Feb-14)
4.	Non-fund-based-LT/ST	LT/ST	0.90	CARE BBB+; Stable / CARE A3+	1)CARE BBB+ / CARE A3+ (19-Apr-16)	-	1)CARE BBB+ / CARE A3+ (23-Mar-15)	1)CARE BBB+ / CARE A3+ (18-Feb-14)
5.	Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	1)CARE A3+ (19-Apr-16)	-	1)CARE A3+ (23-Mar-15)	1)CARE A3+ (18-Feb-14)
6.	Fund-based - ST-SLC-WC	ST	2.50	CARE A3+	-	-	-	-

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