

August 10, 2017

Garware-Wall Ropes Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Fund-based bank facilities	145.39	[ICRA]AA- (Stable); Reaffirmed
Non-fund based bank facilities	135.00	[ICRA]AA- (Stable) and [ICRA]A1+; Reaffirmed
Commercial Paper	15.00	[ICRA]A1+; Reaffirmed
Total	295.39	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]AA- (pronounced ICRA double A minus) with a 'Stable' outlook and the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) for the Rs. 145.39 crore¹ fund-based and the Rs. 135.00 crore non-fund based bank facilities of Garware-Wall Ropes Limited (GWRL)². ICRA has also reaffirmed the short-term rating of [ICRA]A1+ for the Rs. 15.00 crore commercial paper programme of GWRL.

Rationale

The ratings reaffirmation continues to derive comfort from the well entrenched position of GWRL in the domestic market with sizeable market share over the years in fishnet, ropes and twines business. ICRA notes its increased focus on research and development (R&D) and customer centric approach leading to increase in share of value added product portfolio in the revenue stream. Coupled with favourable crude oil prices movement, this is driving the overall growth and profitability of the company. GWRL's diversified revenue streams with steady growth in business segments such as agri-tech and coated fabrics that carry high demand potential in the long-term are other rating comforts. The ratings also factor in the established presence of the company in the export market; limited organised competition in the domestic market in key product segments; and improved financial profile characterised by healthy profitability, strong capital structure, coverage indicators and liquidity profile. The rating strengths are partially offset by a price sensitive domestic market and competition from the unorganised segment. ICRA notes the challenging domestic demand scenario limiting organic growth prospects and exposure to global economic activities and foreign currency volatility.

ICRA expects the company to maintain its healthy operating performance, given its focus on value added products and new product development which command premium over existing product. In line with expected healthy operating performance and adequate working capital management, the liquidity profile is also likely to remain healthy in the near to medium term.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit strengths

- **Sizeable share in the domestic market** – GWRL has more than four decades of experience in the cordage industry and commands a dominant share in the organised domestic market. Over a period, the company has established a healthy brand for its fishnets, ropes, and twines among others, which command premium owing to their high quality.
- **Steady improvement in profitability and liquidity profile** – The profitability and liquidity profile of the company has improved considerably during FY2017. The return indicator (RoCE) of the company was fairly strong at 25.6% during FY2017 on account of healthy operating performance and improved working capital intensity to 16.0% in FY2017 from 19.4% in FY2016. The liquidity profile of the company remains strong with cash and liquid investments to the tune of Rs. 218 crore and unutilised bank lines of Rs. 119 crore as on March 2017.
- **Diversified revenue stream with gradual growth in other segments** – The company has presence in multiple business segments including fisheries, aquaculture, shipping and industrial, yarn and thread, sports, geo-synthetics, agri-tech and coated fabrics. The share of revenues is being dominated by net assembly and ropes segment, however, there has been gradual growth from other business segments such as agri-tech and coated fabrics, which carry large demand potential in the long-term.
- **Increasing share of value-added product portfolio** – Share of premium product portfolio has been widening during the last few years driven by increased focus on innovation and customer centric approach. The same ensures high bargaining power and enables the company to maintain prices across major product segments in the scenario of raw material price decline.
- **Established presence in the export market** – GWRL has presence in more than 75 countries across the globe with good positioning in the developed markets such as North America and Europe, which contribute to the bulk of export revenues (47% of overall revenue in FY2017). Access to overseas market insulates the revenue profile from the fluctuations in the domestic market and provides higher growth opportunities. The company is gradually making inroads in new geographies, while expanding its premium product offering for the export market.

Credit weaknesses

- **Highly price sensitive domestic market** – The company operates in a highly price sensitive domestic market that is largely fragmented with presence of several smaller players, which restricts its pricing flexibility. Furthermore, the upward price movement in end-products (fishnets, twines, ropes) can also lead to demand pressure from the retail segment. However, supported by increasing share of value-added content and muted commodity prices, the company has been able to improve its operating margins in the last few years.
- **Stagnant domestic demand in key product segments** – The domestic demand in the key product segments of the company has been stagnant. Given the company's dominant market share in the domestic market, the muted demand has restricted the revenue growth prospects. However, with gradual pick-up in economic activity and end-user entries, the demand outlook is expected to improve to some extent in the medium term.
- **Profitability remains exposed to global economic activities, foreign currency volatility and crude oil price movement** – GWRL derives nearly 45-50% of the revenue share from export market and as a result remains exposed to global economic activities and foreign currency volatility. To mitigate its demand risk from global markets, the company has been geographically diversifying its revenue base. The company adopts conservative hedging policy, which along with natural hedge from imports (constituting around 25-30% of raw material requirement) mitigates the foreign currency volatility to some extent. The profitability of the company also remains exposed to volatility in crude oil prices as the prices of key raw materials used by the company are linked to crude oil price

movement. Higher than anticipated increase in the crude oil prices can impact the profitability of the company, given price sensitive nature of the end user industries.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

GWRL is a leading player in technical textiles, specialising in providing customised solutions to the cordage and infrastructure industry worldwide. A global player, the company is known for its innovation in the field of fisheries, aquaculture, shipping, sports, agriculture, coated fabrics and geo-synthetics. GWRL has two manufacturing facilities in Maharashtra located at Pune and Wai (Satara district). It has an established presence in the export market with about 47% of the sales (FY2017) being generated from exports.

In FY2017, the company reported a net profit of Rs. 83.3 crore on an operating income of Rs. 868.9 crore, as compared to a net profit of Rs. 61.9 crore on an operating income of Rs. 833.0 crore in FY2016.

Key Financial Indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	833.0	868.9
PAT (Rs. crore)	61.9	83.3
OPBDIT/ OI (%)	12.8%	15.6%
RoCE (%)	23.2%	25.6%
Total Debt/ TNW (times)	0.1	0.2
Total Debt/ OPBDIT (times)	0.4	0.6
Interest coverage (times)	12.2	21.1
NWC/ OI (%)	19.3%	16.0%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:
Table:

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				August 2017	August 2016	December 2015	December 2014
1	Fund-based working capital facilities	Long Term	145.39	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Stable)	[ICRA]A+(Stable)
2	Term Loan	Long Term	-		[ICRA]AA-(Stable)	[ICRA]A+(Stable)	[ICRA]A+(Stable)
3	Unallocated	Long Term	-		[ICRA]AA-(Stable)	-	-
4	Non-fund based facilities	Long Term/Short Term	135.00	[ICRA]AA-(Stable) and [ICRA]A1+	[ICRA]AA-(Stable) and [ICRA]A1+	[ICRA]A+(Stable) and [ICRA]A1+	[ICRA]A+(Stable) and [ICRA]A1+
5	Commercial Paper	Short Term	15.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

ISIN No	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
	Fund-based working capital facilities – CC/PCFC/RPC	-	-	-	145.39	[ICRA]AA-(Stable)
	Non-fund based facilities – LC/BG	-	-	-	135.00	[ICRA]AA-(Stable) and [ICRA]A1+
	Commercial Paper	-	-	-	15.00	[ICRA]A1+

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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