Press Release

Fiberweb India Limited

December 02, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	120.00*	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	10.00	IVR A3 (IVR Single A Three)	-	Assigned	Simple
Total	**130.00**	**Rupees One Hundred and Thirty Crore Only**			

**Including proposed bank facility of Rs 115.00 crore*

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned the long-term rating of IVR BBB- with a Stable outlook and short-term rating of IVR A3 for the bank loan facilities of Fiberweb India Limited (FIL).

The rating assigned to the company factors in extensive experience of promoters & company's established operational track record of around four decades in the polypropylene and textiles business. Besides that, the rating draws comfort from the company's improving scale of operations, comfortable financial risk profile aided by comfortable capital structure and debt protection metrics. Additionally, the rating considers reputed client base and long-standing relationship of the company with the customers. The ratings, however, are constrained by the project execution risk and expected moderation in financial risk profile on account of debt funded capex as well as working capital-intensive nature of operations and vulnerability to fluctuations in forex rates.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes that FIL will continue to benefit from its established presence in the technical textile business, experienced management and good order book position indicating revenue visibility in the short to medium term.

IVR has principally relied on the standalone audited financial results of FIL up to FY24 (refers to period April 1st, 2023, to March 31st, 2024) and three years projected financials for FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), along with publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Improvement in revenue as projected while maintaining profitability margins leading to higher cash generation.
- On time completion of the project without any cost and time overrun along with successful commissioning of the operations.
- Prudent management of liquidity & working capital resulting in improvement of operating cycle below 90 days.

Downward Factors

- Any major delay in execution of project estimates (time and cost).
- Decline in the scale of operations and profitability resulting in deterioration of liquidity position of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Established track record of operations and experienced management:

Fiberweb commenced its operations in 1985 and has a successful track record of around four decades in the polypropylene and and textile business. The promoters of the company have experience of more than three decades in the plastic and technical textile business, supported by a well-qualified and experienced management team.

Improvement in scale of operations & profitability:

The company has registered total operating income (TOI) of Rs. 86.84 crore in FY24 against Rs. 67.27 crore in FY23, which was Rs. 96.26 crore in FY22. The profitability of the company in terms of EBITDA margin improved from 4.85% in FY23 to 14.18% in FY24 and PAT margin from negative in FY23 to 8.37% in FY24. The dip in FY23 was mainly because of Suez Canal issue which impacted the transportation as the freight per container increased significantly which couldn't be passed on to customers. During first half of FY25, the company reported improved TOI of Rs 51.21 crore and EBITDA margin of 19.91%in H1FY25.

Comfortable capital structure & debt protection metrics:

The capital structure of the company stood comfortable reflected by overall gearing of 0.04x as on March 31,2024 (PY: 0.04x) on account of strong net worth of Rs 159.83 crore as compared to debt profile which comprises only of working capital borrowing of ~Rs 7 crore as on March 31, 2024. Further, total indebtedness as reflected by TOL/TNW of 0.06x in FY24 against 0.10x in FY23. Debt protection metrics of the company also remained comfortable indicated by comfortable debt service coverage ratio (DSCR) at 12.14x in FY24 (PY:5.32x) and interest service coverage ratio (ISCR) at 12.12x in FY24 (PY: 5.33x). However, moderation expected to some extent in medium term as company is expected to avail term loan of ~Rs 115 crore in FY25-FY26 to fund the ongoing capex project.

Reputed client base and long-standing relationship:

Fiberweb is a 100% export-oriented unit and out of the total exports ~80% is exported in USA, ~10% in Europe & ~10% is in Australia. The company draws comfort from the established customer base which mainly includes Fortune 500 companies like Wal-Mart, Johnson & Johnson etc. from whom it is getting order regularly.

Key Rating Weaknesses:

Project execution risk & expected moderation in financial risk profile on account of debt funded capex:

The company is setting up a Spun lace fabric manufacturing unit with installed capacity of 12,000 MTPA as a brownfield expansion of existing Daman plant. The total envisaged cost of project is Rs 160.50 crore which is to be funded through term loan of Rs 115 crore and internal accrual/equity of Rs 45.50 crore. The project is proposed to be funded through a debt-equity ratio of 2.53:1. The proposed Commercial Operations Date (COD) of the project is April 01, 2025, however the same is expected to get extended till December 2025 as stated by the management. Hence, company is exposed to inherent risk in terms of delays in project execution and cost overrun. Successful completion of the project within the time and cost as estimated will remain a key monitorable. During FY25-FY26, credit metrics are expected to moderate slightly, due to the company's ongoing debt-funded capex and the repayment of its debt obligations. While the financial risk profile may moderate, it is expected to stay at a comfortable level. A key factor to watch will be the company's ability to scale up operations at the new facility following the successful completion of the project.

Working capital intensive nature of operations:

FIL's operations are working capital intensive marked by high operating cycle and moderate working capital utilization. The operating cycle shortened to around 131 days in FY24 (FY23: 187 days; FY22: 168 days). In FY24, the cycle recovered on account of reduction in debtor days which came down to 44 days in FY24 from 89 days in FY23, as the order execution duration reduced significantly after normalcy started in Suez Canal issue which impacted the trade route vis-a-vis the order execution and payment realisation. The inventory days reduced to 113 days in FY24 from 139 days in FY23. The bank limit remained utilised at ~73% during the last twelve months ended September 30, 2024.

Vulnerability to fluctuations in forex rates & geographical concentration risk:

As the company derives majority of its revenue from the international market, any sharp fluctuation in forex rates can affect price realizations and cash accruals. Also, any geo-political issue in the overseas markets is likely to have impact over company's overall operations.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for manufacturing companies.
Financial Ratios & Interpretation (Non-Financial Sector).

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company is adequate as marked by gross cash accruals of Rs. 11.32 crore in FY24 against zero current debt obligations. Its expected net cash accrual is in the range of Rs 19-72 crore during FY25-FY27 which will be sufficient to cover the debt repayment obligations of ~Rs. 5-23 crore during FY25-FY27. The bank limit remained utilised at ~73% during the last twelve months ended September 30, 2024. Cash and cash equivalent of the company stands at Rs. 3.78 crore as on September 30, 2024. The current ratio remains comfortable at 5.23x as on March 31, 2024 (PY: 3.23x).

About the Company

Fiberweb India Limited is a public company incorporated in October 1985. The company is engaged in the manufacturing and exports of spun-bond and melt-blown non-woven fabrics from polypropylene which is used in healthcare, hygiene, medical, agriculture and various other industrial segments. Its manufacturing plant is located in Nani, Daman with combined installed capacity of 8000 MTPA (Spun-bond: 5000 MTPA, Melt-Blown: 3000 MTPA). The company is listed on both NSE and BSE. It is an 100% export-oriented unit (EOU) with ~75% of its products exported to countries like U.S.A., U.K., Europe, Australia, New Zealand, South Africa and Gulf countries.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	67.27	86.84
EBITDA	3.26	12.32
PAT	-0.29	7.27
Total Debt	6.34	6.87
Tangible Net Worth	152.51	159.83

EBITDA Margin (%)	4.85	14.18
PAT Margin (%)	-0.44	8.37
Overall Gearing Ratio (x)	0.04	0.04
Interest Coverage (x)	5.33	12.12

** Classification as per Infomerics Standard*

Status of non-cooperation with previous CRA: None

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based Facilities	Long Term	120.00	IVR BBB-/Stable	-	-	-
2.	Fund Based Facilities	Short Term	9.00	IVR A3	-	-	-
3.	Non Fund Based Facilities	Short Term	1.00	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Term Loan	-	-	-	NA	115.00	IVR BBB- /Stable
Cash Credit	-	-	-	-	5.00	IVR BBB- /Stable
Bill Discounting (FBP/FBD)	-	-	-	-	9.00	IVR A3
Bank Guarantee	-	-	-	-	1.00	IVR A3

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-fiberweb-dec24.pdf
Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.