

Press Release

Welmon Woodplast Private Limited

October 09, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B-** (read as **ACUITE B minus**)' to the Rs. 6.00 crore bank facilities of Welmon Woodplast Private Limited (WWPL). The outlook is '**Stable**'.

WWPL was incorporated in 2016 by Mr. Yogesh Patel, Mrs. Jaishree Patel and Mr. Haresh Vavadia to manufacture PVC (Poly Vinyl Chloride) sheets and WPC (Wood-Plastic Composites) of different varieties. The installed capacity is 450 Kgs per day, which is 3240 MTPA.

Key Rating Drivers:

Strengths

- **Experienced management**

Welmon Woodplast Private Limited (WWPL) was incorporated in 2015. The Directors have experience of over a decade in the sheet fabrication business. Acuite believes that WWPL will sustain its existing business profile on the back of experienced management.

Weaknesses

- **Nascent stage of operations**

The company is in the nascent stage of operations. The fully-fledged commercial production for WWPL started in FY2017 with an installed capacity of 450 Kgs per day. Further, the company has booked revenue of Rs.3.50 crore up to July 2018. Thus, there is healthy visibility of future revenue in the medium term.

- **Below average financial risk profile**

The financial risk profile of WWPL is below average marked by tangible net worth of Rs.0.94 crore as on 31 March, 2018 (Provisional) as against Rs.1.88 crore as on 31 March, 2017. The gearing (debt/equity) stood high at 6.69 times as on 31 March, 2018 (Provisional) as compared to 2.84 times in the previous year. The total debt of Rs.6.28 crore outstanding as on 31 March, 2018 (Provisional) comprises of Rs.3.80 crore as secured loan from the bank, Rs.0.64 crore as unsecured loans from the promoters and Rs.1.84 crore as working capital borrowings from the bank. The interest coverage ratio (ICR) stood low at 0.88 times in FY2018 (Provisional). Total outside liabilities to tangible net worth (TOL/TNW) is high at 8.19 times as on 31 March, 2018 (Provisional) as against 2.99 times as on 31 March, 2017. Acuite believes that the ability of WWPL to generate adequate cash accruals in order to repay its debt obligation will be crucial.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of WWPL to arrive at the rating.

Outlook: Stable

Acuite believes WWPL will maintain a 'Stable' outlook in the medium term on the back of experienced promoters. The outlook may be revised to 'Positive' in case the firm registers higher than expected growth in revenues while improving profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or further elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	6.41	0.40	0.00
EBITDA	Rs. Cr.	0.54	-0.07	0.00
PAT	Rs. Cr.	-0.95	-0.64	0.00
EBITDA Margin	(%)	8.39	-17.84	0.00
PAT Margin	(%)	-14.80	-159.55	0.00
ROCE	(%)	-4.65	-13.28	0.00
Total Debt/Tangible Net Worth	Times	6.69	2.84	0.03
PBDIT/Interest	Times	0.88	-0.69	0.00
Total Debt/PBDIT	Times	11.58	-78.57	0.00
Gross Current Assets (Days)	Days	243	2139	0

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B- / Stable

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About Acuité Ratings & Research:

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