



Press Release
Walchandnagar Industries Limited
August 02, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	190.44	ACUITE BB Stable Assigned	-
Bank Loan Ratings	444.56	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	635.00	-	-

Rating Rationale

Acuite has assigned its long-term rating as '**ACUITE BB**' (read as **ACUITE Double B**) and short-term ratings as '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 635.00 Cr. bank facilities of 'Walchandnagar Industries Limited'. The outlook is '**Stable**'.

Rationale for Rating Assigned

The rating assigned is on account of long track record of operations, experienced promoters with over three decades in the heavy engineering industry, reputed private and government clientele. Further, the rating gets comfort from additional capital infusion from promoters & investors improving the liquidity position, moderate financial risk profile, and healthy order book of the company to the tune of Rs. 543 Cr. The rating also factors in the comfort derived from prepayment of its term loan, completion of seven projects of TNEB resulting into release of Rs. 7.79 Cr. of BG and expected further release by this year. However, rating is constrained with intensive working capital operations.

About the Company

Mumbai based, Walchandnagar Industries Limited (WIL) is an ISO 9001:2015 certified company with global presence and diversified business portfolio in Projects, Products and High-tech Manufacturing. Incorporated in 1908, WIL has a long track record of operations for over 100 years. WIL has been engaged into EPC of sugar mills, nuclear power plants and fabrication and heavy engineering segments like Defence, Nuclear, Aerospace and Missiles (DNAM). WIL has a strong customer base. WIL is a listed company on the BSE and NSE stock exchanges in India. The directors of the company are Mr. Chirag Chakor Doshi, Mr. Rupal Anand Vora, Mr. Anil Purushottam Kakodkar, Mr. Chakor Lalchand Doshi, Mr. Jayesh Chaturdas Dadia and Mr. Giriraj Sharan Agrawal.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken standalone financial and business risk profile of Walchandnagar Industries Limited to arrive at this rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

WIL has been engaged in strategic business areas like Defence, Nuclear, Missiles, Aerospace

(DNAM) and industrial products like Gears, Centrifugal, Castings and Gauges. The company is also in the EPC business of sugar mills, nuclear power plants & fabrication. The company has been engaged in this industry for more than 100 years and was promoted by (Late) Seth Walchand Hirachand Doshi. Over the last 3-4 years, WIL has focused on exiting the EPC business by completing orders in hand and aggressively expanding into DNAM and Specialized OEM business. The present Chairman of the company is Mr. Chakor Doshi who possesses extensive industry experience of more than three decades in the said industries. Some of the landmark projects of WIL include key critical equipment in India's maiden mission to moon, i.e., 'Chandrayan I' and 'Chandrayan II', contribution towards 'Akash Missile', among others. The extensive experience of the promoters in the industry has helped the company to build strong a market presence in the aforementioned industries. Acuité believes that the company will continue to benefit from its extensive experience of the promoters over the medium term.

Financial Risk Profile

The company has a moderate financial risk profile mainly marked by net worth, gearing and coverage indicators. The tangible net worth of the company stood at Rs. 360.63 Cr. in FY 24 against Rs. 259.97 Cr. in FY 23. The net worth has been improved despite net loss is due to infusion of capital in the business by prominent investors. Gearing Ratio (Debt to Equity) improved by 46 bps and stood at 0.67 times in FY 24 as against 1.13 times in FY 23. The gearing ratio has come down to below unity. The total outside liabilities to total net worth (TOL/TNW) stood at 1.42 times as on FY 24 against 2.18 times as on FY 23.

Healthy Order Book

The established presence of WIL in the aforementioned industries for over 100 years helped the company to build esteemed client profile spanning both in private as well as reputed Government agencies. The company has a strong customer base such as Bharat Dynamics Limited, Indian Space Research Organisation (ISRO), Defence Research and Development Organisation (DRDO). The company has a current order book of ~Rs. 543 Cr. as on date which includes long term as well as short term (recurring nature).

Issue of Share Warrant

The company has issued fresh share warrants for Rs. 216 Cr. at Rs. 114 per warrant out of which Rs. 30 Crs. will be infused by promoters and balance Rs. 186 Cr. from prominent investors. The company has already received the first tranche for Rs. 62 Cr. in November 2023 and second tranche of Rs. 60.34 Cr. in March 2024. The company is expecting final tranche of Rs. 63.66 Cr. from prominent investors and Rs. 30 Cr. from promoters before March 2025. With this infusion liquidity profile of the company is likely to improve in near future.

Weaknesses

Working Capital Operations

The operations of the company are working capital intensive in nature owing to a majority of the funds blocked in debtors and inventory. The collection period stood highly elongated at 236 days in FY23 and 210 days in FY24. Rs. 90 Cr. of Trade Receivable from TNEB project is stuck till now. The inventory holding also stood high at 168 days in FY24 as against 137 days in FY23. The creditors' period also stood high at 158 days in FY24, owing to a credit period of over 150-180 days extended by the suppliers to the company as per the information shared by the company. The working capital cycle of the business is 220 days for FY 24.

Decline in Scale of Operations

The revenue from operations of the company have declined by 7.44%, thereby reducing the topline from Rs. 326.67 Crs. in FY 23 to Rs. 302.35 Crs. in FY 24. The revenue declined due to the strike within the company for 43 days in Q3 of FY 23-24 which costed for Rs. 30 Crs. (Approx.) in revenue to the company. There is no business loss as such during the period.

Rating Sensitivities

- Improving scale of operations and company turning profitable.
- Timely exercise of the remaining share warrants and the sale of non-core assets
- Improving working capital operations of the company

Liquidity Position

Adequate

The company has adequate liquidity marked by net cash accruals, current ratio, cash and bank balance. The company generated the net cash accruals of Rs. (27.03) Cr. for FY 24. The debt obligation has been fully repaid in July 2024 through issue of NCD (Non Convertible Debentures) as per the NDC (No Due Certificate) from ACRE. The current ratio of the company stood at 1.25 times as on 31 March 2024. The company has Cash and Bank Balances of Rs. 55.74 crore. The average utilization of fund based and non-fund-based limits for last 17 months ending April 2024 is 80.89% & 59.35% respectively. Acuite believes that liquidity profile of the company will improve in near future indicating availability of funds for any future endeavours.

Outlook: Stable

Acuite believes that the company will maintain a 'Stable' outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive', if the firm achieves more than expected growth in terms of revenue and profitability. The outlook would be revised to negative, if there is decline in financial performance of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	302.35	326.67
PAT	Rs. Cr.	(41.83)	19.58
PAT Margin	(%)	(13.83)	5.99
Total Debt/Tangible Net Worth	Times	0.67	1.13
PBDIT/Interest	Times	0.45	1.69

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Aug 2023	Bank Guarantee/Letter of Guarantee	Short Term	250.00	ACUITE A4 (Reaffirmed & Withdrawn)
	Letter of Credit	Short Term	37.28	ACUITE A4 (Reaffirmed & Withdrawn)
	Bank Guarantee/Letter of Guarantee	Short Term	225.00	ACUITE A4 (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	132.10	ACUITE C (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	83.72	ACUITE C (Reaffirmed & Withdrawn)
	Working Capital Demand Loan (WCDL)	Long Term	8.07	ACUITE C (Reaffirmed & Withdrawn)
	Proposed Long Term Bank Facility	Long Term	95.43	ACUITE Not Applicable (Withdrawn)
	Working Capital Demand Loan (WCDL)	Long Term	4.51	ACUITE C (Reaffirmed & Withdrawn)
07 Sep 2022	Letter of Credit	Short Term	37.28	ACUITE A4 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	225.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	250.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	132.10	ACUITE C (Reaffirmed)
	Cash Credit	Long Term	83.72	ACUITE C (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	4.51	ACUITE C (Reaffirmed)
	Covid Emergency Line.	Long Term	8.07	ACUITE C (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	95.43	ACUITE C (Reaffirmed)
05 Jul 2022	Bank Guarantee/Letter of Guarantee	Short Term	300.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Letter of Credit	Short Term	40.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee/Letter of Guarantee	Short Term	254.11	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	135.00	ACUITE C (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	85.00	ACUITE C (Reaffirmed & Issuer not co-operating*)
	Working Capital Demand Loan (WCDL)	Long Term	13.50	ACUITE C (Reaffirmed & Issuer not co-operating*)
	Working Capital Demand Loan (WCDL)	Long Term	8.50	ACUITE C (Reaffirmed & Issuer not co-operating*)
06 Apr	Bank Guarantee (BLR)	Short Term	300.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Bank Guarantee (BLR)	Short Term	254.11	ACUITE A4 (Downgraded from ACUITE A4+)
	Letter of Credit	Short Term	40.00	ACUITE A4 (Downgraded from ACUITE A4+)
		Long		ACUITE C (Downgraded from ACUITE

2021	Cash Credit	Term	135.00	BB Negative)
	Cash Credit	Long Term	85.00	ACUITE C (Downgraded from ACUITE BB Negative)
	Working Capital Demand Loan (WCDL)	Long Term	13.50	ACUITE C (Downgraded from ACUITE BB Negative)
	Working Capital Demand Loan (WCDL)	Long Term	8.50	ACUITE C (Downgraded from ACUITE BB Negative)
16 Mar 2021	Bank Guarantee (BLR)	Short Term	300.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	254.11	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	135.00	ACUITE BB Negative (Reaffirmed)
	Cash Credit	Long Term	85.00	ACUITE BB Negative (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	13.50	ACUITE BB Negative (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	8.50	ACUITE BB Negative (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	235.00	ACUITE A4+ Assigned
Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	209.56	ACUITE A4+ Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	114.08	ACUITE BB Stable Assigned
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	76.21	ACUITE BB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.15	ACUITE BB Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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