

Press Release

Welcast India Private Limited

D-U-N-S® Number: 91-621-1241

June 20, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 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 plus**) on the Rs. 20.00 crore bank facilities of Welcast India Private Limited (WIPL). The outlook is '**Stable**'.

WIPL, a family run Kolkata-based company, was initially incorporated in 1997 with the name Welcast Product Private Limited. Later during FY18, the company got its name changed to its current name. WIPL is currently managed by Mr. Ankit Kejriwal, Mr. Ramesh Kumar Kejriwal and Ms. Saroj Kejriwal. The company is engaged in manufacturing of municipal castings, agricultural castings and fabricated steel for which the manufacturing unit is located at Uluberia, West Bengal.

Analytical Approach

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

Key Rating Drivers

Strengths

- Long track record of operations

The Directors, Mr. Ankit Kejriwal and others of the Kejriwal family have been in the industry for more than two decades and is experienced and well versed in understanding the demand supply trends of the industry. WIPL started its operations in 1997 and is operating in the industry for more than two decades and has been able to build a strong relationship with its customers in the industry over the years.

- Improved scale of operations

The company has reported improvement in scale of operations with operating income of Rs. 35.07 crore for FY 2019 (Provisional) as against Rs. 19.21 crore in the previous year. The improvement in revenue in FY 2019 (Provisional) as compared to the operating income in FY2018 is mainly on account of product diversification and acquiring new customers across several countries.

Weaknesses

- Below average financial risk profile

The company has a weak financial risk profile marked by modest net worth of Rs. 6.10 crore as on 31 March, 2019 (Provisional) as against Rs. 5.10 crore as on 31 March, 2018. The improvement in net worth is on account of infusion of equity into the business. Moreover, Acuite has treated unsecured loans of Rs. 0.70 crore as quasi equity as the amount is subordinated to bank debt. The gearing stood high at 2.01 times as on 31 March, 2019 (Provisional) as against 2.68 times as on 31 March, 2018 due to long term debt obligations, unsubordinated unsecured loans from Directors and high short term debt. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.81 times as on 31 March, 2019 (Provisional). The total debt of Rs. 12.25 crore consist of short term debt of Rs. 11.14 crore, long term debt of Rs. 0.26 crore and unsecured loan (USL) of Rs. 0.84 crore as on 31 March,

2019 (Provisional). Interest Coverage Ratio stood moderate at 1.18 times in FY2019 (Provisional) as against 1.16 times in FY2018. The DSCR stood at 1.17 times in FY2019 (P) due to absence of any major long term debt as against 1.16 times in FY2018. The NCA /TD stood low at Rs. 0.03 in FY2019 (Provisional) as against Rs. 0.02 in FY2018.

• Working capital intensive nature of operations

WIPL has working capital intensive nature of operations marked by high GCA of 194 days in FY2019 as against 309 days in FY2018. The high GCA days is mainly dominated by 168 days of inventory in FY2019 (Provisional) as against 304 days in FY2018. The high inventory levels are mainly due to their diverse product profile. However, the debtor days stood low at 18 days in the past two years ended FY2019 (Provisional).

Liquidity Position:

WIPL's liquidity profile is marked by modest net cash accruals as against no major maturing long term debt obligations. The company generated cash accruals of Rs.0.33-0.26 crore during the last three years through 2018-19 (Provisional), against long term debt obligations of Rs. 0.06-0.12 crore over the same period. The bank limit of the company remained fully utilised, thus reflecting stretch in the liquidity position. The current ratio of the company stood moderate at 1.27 times as on March 31, 2019 (Provisional). WIPL maintained unencumbered cash and bank balance of Rs. 0.02 crore and fixed deposit of Rs. 1.55 crore of March 31, 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual and as against its long term debt repayments over the medium term.

Outlook: Stable

Acuite believes that the outlook on WIPL's rated facilities will remain 'Stable' over the medium term on account of its long track record of operations. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenues or significant improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company witnesses further elongation in working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	35.07	19.21	19.67
EBITDA	Rs. Cr.	2.28	1.91	1.81
PAT	Rs. Cr.	0.09	0.03	0.11
EBITDA Margin	(%)	6.50	9.93	9.22
PAT Margin	(%)	0.27	0.18	0.56
ROCE	(%)	12.08	11.03	22.38
Total Debt/Tangible Net Worth	Times	2.01	2.17	1.88
PBDIT/Interest	Times	1.18	1.16	1.28
Total Debt/PBDIT	Times	5.23	5.71	5.16
Gross Current Assets (Days)	Days	194	309	263

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

None

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
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B+/ Stable (Assigned)
Bills discounting	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+/ Stable (Assigned)
Bills discounting	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B+/ Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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