

**Press Release**  
**Welcast India Private Limited**

September 04, 2020

**Rating Upgraded**



<b>Total Bank Facilities Rated*</b>	Rs. 20.00 Cr.
<b>Short Term Rating</b>	ACUITE BB-/Stable (Upgraded)

\* Refer Annexure for details

**Rating Rationale**

Acuite has upgraded the long-term rating to **'ACUITE BB-' (read as ACUITE double B minus)** from **ACUITE B+ (read as ACUITE B plus)** on the Rs. 20.00 Cr. bank facilities of Welcast Private Limited (WIPL). The outlook is **'Stable'**.

The rating upgrade reflects an overall improvement in the business risk profile of the company marked by an increase in turnover coupled with improvement in the profitability margins. Revenue stood at Rs 37.78 crore in FY20 (Provisional) as against Rs 35.14 crore in FY19 thus marking a year on year growth of 7.50 percent. EBITDA margin had also improved to 7.36 percent in FY20 (Provisional) as against 6.40 percent in FY19 driven by a decline in raw material cost. In FY20, the company had incurred an expansion capex of around Rs 5.27 crore which was funded through debt and internal accrual in a 70:30 ratio. The enhanced capacity will be operational from Q2FY21, which will help to maintain revenue growth in the medium term.

WIPL, a family run Kolkata-based company, was 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 profiles of WIPL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Experienced management**

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 operating efficiencies**

The company has witnessed an improvement in profitability margin as EBITDA margin improved to 7.36 percent in FY20 (Provisional) as against 6.40 percent in FY19. PAT margin stood 0.55 percent in FY20 as against 0.47 percent in FY19. Moreover ROCE of the company stood at 12.17 percent in FY20 (Provisional) as against 11.41 percent in FY19. This improvement was driven by a decline in raw material prices. Acuite believes profitability of the company will continue to improve in medium term backed by a rise in the scale of operation.

**Weaknesses**

**Working capital intensive operations**

WIPL has working capital intensive nature of operations marked by high GCA of 189 days in FY20 (Provisional) as against 196 days in FY2019. The high GCA days was mainly dominated by 165 days of inventory in FY20 (Provisional) as against 173 days in FY2019. The high inventory levels are mainly due to accumulation of finished goods. However, the debtor days stood low at 7 days in FY20 as against 18 days in FY19. Acuite believes the company will continue to witness high working capital requirement due to high

inventory days.

### Modest financial profile

The company has moderate financial risk profile marked by low net worth, high gearing ratio and modest coverage indicator. Net worth of the company stood at 5.76 crore as on 31<sup>st</sup> March'20 as against Rs 5.56 crore in the previous year. The gearing of the company increased to 2.80 times as on 31<sup>st</sup> March 2020 as against 2.48 times as on 31<sup>st</sup> March, 2019 due to debt-led expansion capex. Debt level includes Rs 9.99 crore of short term debt, Rs 3.9 crore of Long term debt and Rs 2.19 crore of unsecured loan Debt protection metrics stood at a moderate level as indicated from interest coverage of 1.93 times in FY20 as compared to 1.93 times in the previous year. DSCR of the company stood at 1.20 times in FY20. NCA/TD stood at 0.3 times in FY20. Acuite believes financial risk profile is likely to remain at a modest level in the medium term because of a high debt level.

### Liquidity profile: Stretched

The company has stretched liquidity profile as indicated from high utilization of working capital limit, which stood at 91 percent during last 12 month ended July 2020. Moreover, the company has high GCA days of 189 days in FY20 due to high inventory days. Current ratio stood at 1.20 times in FY20 as against 1.35 times in FY19. However the company has availed moratorium till August, 2020 under COVID 19 scheme. Cash & Balance stood at Rs1.73 crore as on 31 March 2020. Net cash accrual stood at Rs 0.46 crore as against current maturity of Rs 0.64 crore. Acuite believes liquidity profile will continue to remain stretched in the medium term due to high working capital requirement.

### Rating sensitivities

- Sustained improvement in scale of operations and profitability
- Improvement in Liquidity profile.

### Material covenant

None

### Outlook: Stable

Acuite believes that the outlook of WIPL 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 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	35.14	19.21
PAT	Rs. Cr.	0.17	0.03
PAT Margin	(%)	0.47	0.18
Total Debt/Tangible Net Worth	Times	2.48	2.17
PBDIT/Interest	Times	1.25	1.16

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

None

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios and Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20- June - 2019	PC /PCFC	Long Term	10.00	ACUITE B+/Stable (Assigned)
	Bill Discounting	Long Term	2.00	ACUITE B+/Stable (Assigned)
	Bill Discounting	Long Term	8.00	ACUITE B+/Stable (Assigned)

### 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 BB-/Stable (Upgrade)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB-/Stable (Upgrade)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB-/Stable (Upgrade)

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### About Acuité Ratings & Research:

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