

Press Release

Welcast India Private Limited

October 08, 2021



Rating Reaffirmed

Total Bank Facilities Rated	Rs. 20.00 crore
Long Term Rating	ACUITE BB-/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB- (read as ACUITE double B minus)**' to the Rs. 20.00 crore-bank facilities of Welcast India Private Limited. The outlook remains '**Stable**'.

The rating on WPL takes cognizance of the long-standing experience of the management. These strengths are, however, constrained by working capital intensity in its operations, modest scale of operations and competitive and fragmented nature of the industry.

About the Company

Welcast India Private Limited (WPL), 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. WPL 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 in Uluberia, West Bengal.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Welcast India Private Ltd (WPL) 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. WPL 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.

- Moderate financial risk profile**

The company's moderate financial risk profile is marked by modest but improving network, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.6.24 crores as on 31 March, 2021 (Provisional) as against Rs.5.75 crores as on 31st March, 2020. The gearing (debt-equity) stood high at 3.42 times as on March 31, 2021 (Provisional) as compared to 2.82 times as on March 31, 2020. The total debt of Rs. 21.34 crores as on March 31, 2021 (Provisional) consists of mainly of term loan of Rs.8.24 crores and unsecured loan from directors/promoters of Rs 1.90 crores and short-term debt of Rs 10.00 crores and current portion of long-term debt of Rs 1.20 crores. The moderate debt protection metrics of the company is marked by the interest coverage ratio (ICR) stood moderate at 1.37 times in FY2021 (Provisional) as compared to 1.27 times in FY2020 while DSCR stood at 1.02 times in FY2021 (Provisional) as compared to 1.15 times in FY 2020. The NCA/TD stood low at 0.03times in

FY2021 (Provisional). Acuité believes that going forward the financial risk profile of the company will remain moderate in the absence of any major debt funded capex plans in the medium term.

Weaknesses

- **Modest scale of operation**

Welcast India Pvt Ltd has achieved revenues of Rs.43.81 Cr as at March 31,2021(provisional) as compared to revenue of Rs.37.15 Cr as at March 31, 2020. The growth in top line is on account of better order flow and execution apart from boost in infrastructure sector. The unexecuted order book of around Rs. 55.76 Cr is expected to be executed in the 12-18 months thus providing comfortable revenue visibility over the medium term.

- **Working capital intensive operations**

The working capital management of the company is intensive marked by high Gross Current Assets (GCA) of 165 days in FY2021 (Provisional) as compared to 173 days in FY2020. The high GCA days emanates from the high inventory holding at 127 days as on March 31, FY2021 (Provisional) as compared to 165 days as on March 31, 2020. Further, the debtor period stood low at 31 days as at March 31, 2021 (Provisional) compared to 7 days as on March 31,2020 due to the inherent nature of business. Acuité believes that working capital management of the company will remain a key credit monitorable.

- **Competitive and fragmented industry**

The company is engaged in manufacturing of municipal castings, agricultural castings and fabricated steel for which the manufacturing unit is located in Uluberia, West Bengal. The particular sector is marked by the presence of several mid to big size players. The company faces competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on the minimum amount of bidding of contracts. However, this risk is mitigated to an extent as the promoters have been operating in this environment for more than six decades.

Rating Sensitivity

- Growth in revenue along with reduction in profitability margins
- Elongation in working capital cycle
- Deterioration in capital structure

Material Covenants

None

Liquidity position: Stretched

Welcast India Pvt Ltd has stretched liquidity position marked by low cash accruals of Rs.0.55crores as on March 31,2021(Provisional) as against its Rs 1.20 Cr maturing debt obligations over the same period. The fund-based limit remained utilized at an average of around 86percent for 12months ended May 2021. The current ratio stood low at 1.22 times as on March 31, 2021 (Provisional) compared to 1.19 times as on March 31,2020. The company maintains unencumbered cash and bank balances of Rs.0.11 crore as on March 31, 2021 (Provisional). The company has availed covid loan of Rs. 3.85 crores. However, the working capital operations of the firm are intensive marked by high GCA (Gross Current Assets) Days of 165 days in FY 2021 (Provisional) as compared to 173 days in the previous year in FY 2020. Acuité believes that the liquidity of the company is likely to improve slowly at similar levels over the medium term.

Outlook: Stable

Acuité believes that the outlook of WPL 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 Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	43.81	37.15
PAT	Rs. Cr.	0.26	0.20
PAT Margin	(%)	0.58	0.55
Total Debt/Tangible Net Worth	Times	3.42	2.82
PBDIT/Interest	Times	1.37	1.27

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.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>

Status of non-cooperation with previous CRA

Not Applicable

Any other information

None

Rating History (Upto last two years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
04-Sep-2020	PC /PCFC	Long term	10.00	ACUITE BB-/Stable (Upgrade)
	Bill Discounting	Long term	2.00	ACUITE BB-/Stable (Upgrade)
	Bill Discounting	Long term	8.00	ACUITE BB-/Stable (Upgrade)
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**

Instrument Information

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Union Bank of India	PC /PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB-/Stable (Reaffirmed)
Union Bank of India	Bill Discounting	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB-/Stable (Reaffirmed)
Union Bank of India	Bill Discounting	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB-/Stable (Reaffirmed)

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About Acuité Ratings & Research

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