

Press Release

Welcast India Private Limited

March 07, 2022



Rating Assigned and Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|----------------------------------|-------------------|
| Bank Loan Ratings | 12.50 | ACUITE BB- Stable Assigned | - |
| Bank Loan Ratings | 20.00 | ACUITE BB- Stable Reaffirmed | - |
| Total Outstanding Quantum (Rs. Cr) | 32.50 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB- (read as ACUITE double B minus)**' to the Rs. 20.00 crore-bank facilities and assigned the long term rating of '**ACUITE BB- (read as ACUITE double B minus)**' to the Rs. 12.50 Cr bank facilities of Welcast India Private Limited (WIPL). The outlook remains 'Stable'.

The rating on WIPL 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 (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 in Uluberia, West Bengal.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Welcast India Private Ltd (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. Acuite derives comfort from the long experience of the promoters.

Modest scale of operation

WIPL has achieved revenues of Rs.43.81 Cr as on March 31,2021 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.

Weaknesses

Below average financial risk profile

The company's below average financial risk profile is marked by low networth, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.6.24 crores as on 31 March, 2021 as against Rs.5.75 crores as on 31st March, 2020. The gearing stood high at 3.42 times as on March 31,2021 as compared to 2.82 times as on March 31,2020. The moderate debt protection metrics of the company is marked by the interest coverage ratio (ICR) at 1.38 times in FY2021 as compared to 1.23 times in FY2020 while DSCR stood at 1.33 times in FY2021 as compared to 1.23 times in FY 2020. The NCA/TD stood low at 0.03 times in FY2021. Acuité believes that financial risk profile of the company is likely to improve on account of no major debt funded capex plans and better accrual.

Working capital intensive nature of operation

The working capital management of the company is intensive marked by high Gross Current Assets (GCA) of 165 days in FY2021 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 as compared to 165 days as on March 31, 2020. Further, the debtor period stood at 31 days as at March 31, 2021 compared to 7 days as on March 31,2020 due to the inherent nature of business.However, 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 Sensitivities

Sustainability in revenue growth along with improvement profitability margins

Elongation in working capital cycle

Deterioration in capital structure

Material covenants

None

Liquidity Position: Stretched

The company has a stretched liquidity position marked by low cash accruals of Rs.0.55 cr as on March 31,2021 as against no payment over the same period. The fund based limit of the company remains utilized at ~ 83 per cent for last ten months ended December, 2021.The current ratio stood modest at 1.15 times as on March 31, 2021 compared to 1.23 times as on March 31,2020. The company maintains cash and bank balances of Rs.0.11 crore as on March 31, 2021. Further, the company has availed loan moratorium and applied for additional covid loan. However, the working capital operations of the firm are intensive marked by high GCA (Gross Current Assets) Days of 165 days in FY 2021 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 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, 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

Key Financials

| Particulars | Unit | FY 21 (Actual) | FY 20 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 43.81 | 37.15 |
| PAT | Rs. Cr. | 0.25 | 0.20 |
| PAT Margin | (%) | 0.57 | 0.54 |
| Total Debt/Tangible Net Worth | Times | 3.42 | 2.82 |
| PBDIT/Interest | Times | 1.38 | 1.23 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|-----------|-----------------|--|
| 08 Oct 2021 | Bills Discounting | Long Term | 2.00 | ACUITE BB- Stable (Reaffirmed) |
| | Packing Credit | Long Term | 10.00 | ACUITE BB- Stable (Reaffirmed) |
| | Bills Discounting | Long Term | 8.00 | ACUITE BB- Stable (Reaffirmed) |
| 04 Sep 2020 | Packing Credit | Long Term | 10.00 | ACUITE BB- Stable (Upgraded from ACUITE B+ Stable) |
| | Bills Discounting | Long Term | 8.00 | ACUITE BB- Stable (Upgraded from ACUITE B+ Stable) |
| | Bills Discounting | Long Term | 2.00 | ACUITE BB- Stable (Upgraded from ACUITE B+ Stable) |
| 20 Jun 2019 | Bills Discounting | Long Term | 2.00 | ACUITE B+ Stable (Assigned) |
| | Packing Credit | Long Term | 10.00 | ACUITE B+ Stable (Assigned) |
| | Bills Discounting | Long Term | 8.00 | ACUITE B+ Stable (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------|------------------------------------|------------------|----------------|----------------|-------------------|----------------------------------|
| Union Bank of India | Not Applicable | Bills Discounting | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE BB- Stable Reaffirmed |
| Union Bank of India | Not Applicable | Bills Discounting | Not Applicable | Not Applicable | Not Applicable | 8.00 | ACUITE BB- Stable Reaffirmed |
| Union Bank of India | Not Applicable | PC/PCFC | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE BB- Stable Reaffirmed |
| Union Bank of India | Not Applicable | PC/PCFC | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE BB- Stable Assigned |
| Union Bank of India | Not Applicable | Working Capital Demand Loan (WCDL) | Not available | Not available | Not available | 7.50 | ACUITE BB- Stable Assigned |

Contacts

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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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