

Press Release

Welcast India Private Limited

March 31, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.50	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Total Withdrawn Quantum (Rs.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. 32.50 crore-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>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Mar 2022	Packing Credit	Long Term	10.00	ACUITE BB- Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	7.50	ACUITE BB- Stable (Assigned)
	Bills Discounting	Long Term	8.00	ACUITE BB- Stable (Reaffirmed)
	Packing Credit	Long Term	5.00	ACUITE BB- Stable (Assigned)
	Bills Discounting	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
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)
	Packing Credit	Long Term	10.00	ACUITE BB- Stable (Upgraded from ACUITE B+ Stable)

04 Sep 2020	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	13.00	ACUITE BB- Stable Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.00	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	Term Loan	Not available	Not available	Not available	2.50	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

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