

Press Release

Welcast India Private Limited

March 27, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	44.29	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	0.31	-	ACUITE A4+ Assigned
Bank Loan Ratings	0.21	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	44.81	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 44.50 Cr bank facilities of Welcast India Private Limited (WIPL) and assigned the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 0.31 Cr bank facilities of Welcast India Private Limited (WIPL). The outlook remains '**Stable**'.

Rating Rationale

The rating takes into account consistent improvement in the revenue of the company. The rating also considers the experienced management and the company's long track record of operations. These strengths are, however, offset by the working capital intensive nature of operations, below average financial risk profile and the exposure to the volatility in the prices of the raw materials.

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 and Mr. Ramesh Kumar 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

- **Long operational track and experienced management**

WIPL was incorporated in 1997 and has a long operational track record of more than two decades in the cast iron and ductile iron manufacturing business. The promoters Mr. Ankit Kejriwal and others of the Kejriwal family manages the operations of the company along with adequate support from a set of key professionals. Acuité believes that, the long track of operations and the extensive experience of the promoters will continue to benefit the company going forward.

- **Steady growth in scale of operations**

Welcast India Pvt Ltd has achieved revenues of Rs.61.34 Cr as at March 31, 2022 as compared to revenue of Rs.43.81 Cr as at March 31, 2021. The growth in top line is on account of better order flow and execution apart from boost in infrastructure sector. The company has achieved revenues of Rs 79.83 Cr till January 2023 (Provisional).

Weaknesses

- **Below average financial risk profile**

The company's below average financial risk profile is marked by modest but improving networth, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.7.46 crores as on 31 March, 2022 as against Rs.6.24 crores as on 31 March, 2021. The gearing stood high at 3.43 times as on March 31, 2022 as compared to 3.42 times as on March 31, 2021. The moderate debt protection metrics of the company is marked by the interest coverage ratio (ICR) at 1.66 times in FY2022 and DSCR stood at 1.07 times in FY2022. The NCA/TD stood low at 0.04 times in FY2022. 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.

- **Working capital intensive nature of operation**

The working capital management of the company is intensive marked by high Gross Current Assets (GCA) of 167 days in FY2022 as compared to 178 days in FY2021. The high GCA days is primarily on account of the high inventory holding at 114 days as on March 31, FY2022 as compared to 127 days as on March 31, 2021. Further, the debtor period stood low at similar level due to the inherent nature of business. However, Acuité believes that working capital management of the company will remain a key credit monitorable.

- **Exposure to volatile raw material prices**

The major raw materials required by WIPL are pig iron, MS scrap and coal which is used in manufacturing of municipal castings, agricultural castings and fabricated steel. The prices of such raw materials are highly volatile in nature. Acuité believes that variation in the raw material prices without corresponding change in finished goods' realizations can dent the margins in the absence of price escalation clause in the contracts.

Rating Sensitivities

- Increase in the operating income
- Elongation in the working capital cycle
- Sustenance of the capital structure

Material covenants

None

Liquidity Position **Stretched**

Welcast India Pvt Ltd has stretched liquidity position marked by high fund based limit utilization at 94 per cent for last six months ended January, 2023. The net cash accruals of Rs.1.13 Cr as on March 31,2022 as against long term debt repayment of Rs.0.92 Cr over the same period. The current ratio stood moderate at 1.21 times as on March 31, 2022 compared to 1.24 times as on March 31, 2021. Further, the working capital operations of the firm are intensive marked by high GCA (Gross Current Assets) Days of 167 days in FY2022 as compared to 178 days in FY2021. However, the company maintains unencumbered cash and bank balances of Rs.1.79 crore as on March 31, 2022. 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 on WIPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and improvement in the operating income. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	61.34	43.81
PAT	Rs. Cr.	0.24	0.25
PAT Margin	(%)	0.39	0.58
Total Debt/Tangible Net Worth	Times	3.43	3.42
PBDIT/Interest	Times	1.66	1.38

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Mar 2023	Packing Credit	Long Term	6.00	ACUITE BB Stable (Assigned)
	Packing Credit	Long Term	15.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Bills Discounting	Long Term	6.00	ACUITE BB Stable (Assigned)
	Bills Discounting	Long Term	15.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	2.50	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
31 Mar 2022	Packing Credit	Long Term	10.00	ACUITE BB- Stable (Reaffirmed)
	Packing Credit	Long Term	5.00	ACUITE BB- Stable (Reaffirmed)
	Bills Discounting	Long Term	13.00	ACUITE BB- Stable (Reaffirmed)
	Bills Discounting	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	2.50	ACUITE BB- Stable (Reaffirmed)
07 Mar 2022	Packing Credit	Long Term	5.00	ACUITE BB- Stable (Assigned)
	Packing Credit	Long Term	10.00	ACUITE BB- Stable (Reaffirmed)
	Bills Discounting	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	Bills Discounting	Long Term	8.00	ACUITE BB- Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	7.50	ACUITE BB- Stable (Assigned)
08 Oct 2021	Bills Discounting	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	Bills Discounting	Long Term	8.00	ACUITE BB- Stable (Reaffirmed)
	Packing Credit	Long Term	10.00	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.21	ACUITE A4+ Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.31	ACUITE A4+ Assigned
Union Bank of India	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE BB Stable Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE BB Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.29	ACUITE BB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 dipti.choudhary@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.