

Press Release



Windlass Steelcrafts LLP

January 03, 2023

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.50	ACUITE BB Stable Assigned	-
Bank Loan Ratings	10.50	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	21.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A Four Plus**) on the Rs.21.00 Cr bank facilities of Windlass Steelcrafts LLP. The outlook is '**Stable**'.

Rationale for rating assigned

The assigned rating takes into account the vintage of operations, experience of management in the business and the niche business profile of the firm. However, the rating is constrained by working capital intensive nature of operations led by high inventory period leading to high bank limit utilization, weak financial risk profile marked by low tangible net worth base and average debt protection metrics with high gearing and stretched liquidity profile. Going forward firm's working capital management, liquidity profile and debt protection metrics will remain key rating sensitivities.

About the Company

Windlass Steelcrafts (WSC) was started in the year 1943 by Late Shri VP Windlass and later was reconstituted to a partnership firm in 2010. Subsequently in 2014, the firm was converted into a Limited Liability Partnership (LLP) along with change in name to "Windlass Steelcrafts LLP". The firm is managed by Mr. Sudhir Kumar Windlass, Mr. Pradeep Kumar Windlass, Mr. Ranit Windlass and Mr. Rajiv Goil. It is engaged in the manufacturing of swords, bayonets, daggers and licensed replicas for defence as well as decorative purposes. The firm also designed and supplied props, clothing and accessories to studios & television production such as Batman Begins, Pirates of the Caribbean – 2 & 3, Gladiator and Game of Thrones, amongst others. The registered office is in Delhi while the manufacturing facility is in Dehradun.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of WINDLASS STEELCRAFTS LLP to arrive at the rating.

Key Rating Drivers

Strengths

Experienced Management and Niche business profile

Firm has been in existence since more than 7 decades. It was converted into a Limited Liability Partnership (LLP) in 2014. Present partners in the firm have more than 40 years of experience among themselves. The experience has helped the firm to build and sustain long term relationships with suppliers and customers. Firm is manufacturing military supplies for police and defence services around the world and props, accessories and clothing's for popular movie and TV series productions.

Improvement in revenue profile

In the last three years' firm has shown moderate improvement in scale of operations. Revenues have increased from Rs. 26.35 Cr in FY 2020 (Audited) to Rs. 28.27 Cr in FY 2021 (Audited) and further improved to Rs. 30.97 Cr in FY 2022 (Audited). Export sales is the primary source of revenue which have remained above 95% of the total sales on an average in the last three years.

Weaknesses

Working Capital Intensive nature of operations

Firm's operations are working capital intensive as evident by GCA days of 385 in FY 2022. High GCA days is a result of high inventory and current assets. Inventory days have increased year on year from 124 in FY 2020 to 177 in FY 2021 and further increased to 208 days in FY 2022. A major portion of the inventory is the work in progress goods. Since the products manufactured by the firm are handicraft items, it takes longer period to finish a batch order which leads to higher inventory. Inventory increased in FY 2021 due to covid related disruptions in the market due to which firm purchased raw materials in advance to avoid any shortage. In FY 2022 in the quarter end firm purchased additional raw materials to fulfil orders for current year. Debtors have moderated and improved wherein debtor realization period has declined from 92 days in FY 2020 to 83 days in FY 2021 and further declined to 49 days in FY 2022. However, creditor days have remained high at 180 days in FY 2022. Firm has long standing relations with its suppliers and enjoys credit terms ranging from 30-180 days from different suppliers.

Weak Financial Risk Profile

Firm has a weak financial risk profile marked by low net worth and average debt protection metrics. Tangible net worth stood at Rs. 6.63 Cr in FY 2022 as against Rs. 5.68 Cr in FY 2021. Total debt of Rs. 25.37 Cr in FY 2022 consists of Rs. 9.42 Cr of long term debt, Rs. 12.44 Cr of working capital borrowings and Rs. 3.51 Cr of CPLTD. Consequently, Debt to Equity (Gearing) stood at 3.83 times in FY 2022 as against 4.22 times in FY 2021. Interest coverage ratio moderated to 3.23 times in FY 2022 as against 4.19 times in FY 2021 due to increase in interest cost and decline in profitability. DSCR improved but remained weak at 1.01 times in FY 2022 as against 0.64 times in FY 2021. Debt-EBITDA increased from 2.95 times in FY 2021 to 3.79 times in FY 2022. TOL/TNW moderated slightly to 5.86 times in FY 2022 as against 6.38 in FY 2021.

Rating Sensitivities

- Liquidity Position
- Debt Protection metrics
- Working capital management

Material covenants

None.

Liquidity Position Stretched

Firm's liquidity position is stretched. In FY 2022 firm generated net cash accrual of Rs. 3.74 Cr against maturing debt obligation of Rs. 3.67 Cr. Going forward firm is expected to generate NCA of Rs. 6.80 Cr and Rs. 7.70 Cr in FY 2023-24 respectively against maturing debt obligation of Rs. 3.51 Cr and Rs. 3.49 Cr in each respective year. Firm has unencumbered cash and bank position of Rs. 8.50 Cr in FY 2022.

Outlook: Stable

Acuité believes that the firm will continue to maintain a 'Stable' outlook over near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the firm achieves higher than expected growth in revenues and improvement in profitability level and margin, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than expected working capital requirements.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	30.97	28.27
PAT	Rs. Cr.	2.01	(0.42)
PAT Margin	(%)	6.47	(1.50)
Total Debt/Tangible Net Worth	Times	3.83	4.22
PBDIT/Interest	Times	3.23	4.19

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

Firm has outstanding INC rating from Brickwork ratings dated 3rd November 2022 mentioning rating of Windlass Steelcrafts LLP as "BWR BB/A4 INC".

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

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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.50	ACUITE A4+ Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.31	ACUITE BB Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.23	ACUITE BB Stable Assigned
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.34	ACUITE BB Stable Assigned
Siemens Financial Services Pvt. Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.62	ACUITE BB Stable Assigned

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About Acuité Ratings & Research

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