



Press Release
ANAWIL WIRE AND ENGINEERING PRIVATE LIMITED
August 11, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	45.50	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	45.50	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to Rs. 45.50 crore bank facilities of Anawil Wire and Engineering Private Limited. The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned factors in the experience of the promoters in the industry of over a decade. The rating also takes into account the augmentation in the business risk profile of the group led by commencement of heavy fabrication operations under Anawil Wires and Engineering Private Limited (AWEPL). AWEPL was set up in 2021 to carry out heavy fabrication activities majorly with a focus on construction of wind mill towers. Further, the operating performance of the group is expected to improve in the near to medium term supported by healthy order book of ~Rs. 200 crore coupled with reputed clientele like Suzlon Energy Limited, ReNew Power, L&T and Welspun among others. The rating also draws comfort from the adequate liquidity position and improved working capital operations. These strengths are partially offset by the average financial risk profile and limited track record of the group in executing orders for heavy fabrication work of wind mill towers.

About the Company

Anawil Wires and Engineering Private Limited (AWEPL), was incorporated in January 2021 and is engaged in heavy fabrication works. The company has three manufacturing plants in Karnataka, Valsad and Jharkhand. Heavy fabrication parts are manufactured in Karnataka, Wire Mesh manufacturing is done in Jharkhand and Paper Machine manufacturing is done at Valsad. Currently the promoters are focusing on construction of wind mill towers. The company is promoted by Mr. Nimish Vashi who has over a decade of experience in fabrication work. 51% of shareholding is held by its group company Darpan Infrastructure Private Limited.

About the Group

AWEPL is held by Darpan Infrastructure Private Limited (DIPL) and its promoters. Darpan Infrastructure Private limited (DIPL) in the business of industrial coating. The company is majorly engaged in pipeline coating in addition to coating of other structures. DIPL is promoted by Mr. Nimish Vashi and holds 51% shareholding in AWEPL. Further, DIPL has extended corporate guarantee of Rs.45.60 crore against loans availed by AWEPL.

Acuite has considered the consolidated business and financial risk profile of AWEPL and DIPL on account of common management and financial linkages to arrive at the rating. The extent of consolidation is full.

Key Rating Drivers

Strengths

Extensive experience of promoters

AWEPL and DIPL are promoted by Mr. Nimish Vashi along with Mr. Bhavin Desai who have over a decade of experience in the business of industrial coating. The experience of the promoters has helped the group to establish long and healthy relationships with reputed customers and suppliers over the years. The key customers of the company include names such as Suzlon Energy Limited, ReNew Power, L&T and Welspun among others.

Acuite believes that the promoter's experience and reputed clientele is likely to support the improvement of its business risk profile over the medium term.

Healthy operating performance supported by healthy order book

The group derives majority of its revenue from its coating business under DIPL followed by the newly incorporated business for heavy fabrication majorly focused on windmills. The wind mill tower construction segment of the group has an average capacity to build 30 towers in a month. Currently the company is manufacturing approximately 15 towers in a month and can scale up based on orders at hand and labour. The customer base of the group is reputed marked by names like Suzlon Energy limited, Senvion Wind Technology private limited and ReNew Power. The operating income of the group grew at a CAGR of 18.24 percent led by improved execution of orders and commencement of operations at AWEPL. The operating income of the group stood at Rs. 126.15 crore for FY23 (Prov.) as against Rs. 81.85 crore for FY22 and Rs. 76.31 crore for FY21. The operating margins of the group are driven by the high margins at AWEPL. The operating margin of the group stood at 17.33 percent in FY23 (Prov.) as against 14.88 percent in FY22 and 10.81 percent in FY21. The group also has a total order book of ~200 crore to be executed in the current financial year giving a healthy revenue visibility for the near term.

Acuite believes that the ability of the group to successfully deliver the order book while maintaining profitability will remain a key rating sensitivity.

Efficient working capital operations

The working capital operations of the company are efficient marked by improvement in GCA days of 175 days for FY23 (Prov.) as against 251 days for FY22 and 211 days for FY21. The GCA days of the company are driven by debtor collection period. The debtor collection period of the company improved at 21 days in FY23 (Prov.) as against 160 days in FY22 and 64 days in FY21. The debtor collection period in FY22 were higher on account year end sales made in March 2023. The inventory is maintained by the company as per orders at hand and its delivery schedule. The inventory holding period of the company stood at 76 days in FY23 (Prov.) as against 18 days in FY22 and 37 days in FY21. The raw materials required for construction of the wind mill towers is directly provided by the customers. The company is responsible for arranging only electricity, manpower and consumables. The creditor days of the company stood at 90 days for FY23 (Prov.) as against 61 days in FY22 and 80 days in FY21. The group's reliance on working capital limits remains moderate marked by average utilisation of ~73% for 12 months ended July 2023.

Acuite believes that the ability of the company to manage its working capital operations will remain a key rating sensitivity.

Weaknesses

Average financial risk profile

The financial risk profile of the company is average marked by moderate network, average gearing and healthy debt protection metrics. The tangible network of the company stood at

Rs. 36.53 crore as on March 31, 2023 (Prov.) as against Rs. 26.31 crore as on March 31, 2022 and Rs. 15.14 crore as on March 31, 2021. The improvement in networth is on account of increased accretion of profits to reserves. The total debt of the company stood at Rs. 74.82 crore as on March 31, 2023 (Prov.) as against Rs. 34.47 crore as on March 31, 2022 and Rs. 23.93 crore as on March 31, 2021. The debt profile of the company comprises of Rs. 49.29 crore of long-term loans, Rs. 18.50 crore of short-term loans and Rs.7.02 crore of unsecured loans. The long-term loans of the company majorly comprise of term loans taken for building plant and machinery at AWEPL. The gearing of the company remained moderate marked by peak gearing levels of 2.05 times as on March 31, 2023 (Prov.) as against 1.21 times as on March 31, 2022 and 1.58 times as on March 31, 2021. The gearing of the company has peaked in FY23 on account of debt taken for funding the capex at AWEPL. The gearing is likely to improve in the near to medium term on account of repayment of the existing debt and likely improvement in the operating performance. The TOL/TNW of the company stood at 2.75 times as on March 31, 2023 (Prov.) as against 2.49 times as on March 31, 2022 and 2.70 times as on March 31, 2021. The debt protection metrics of the company stood healthy reflected by debt service coverage ratio of 3.40 times for FY23 (prov) as against 3.36 times for FY22 and 2.39 times for FY 21. The interest coverage ratio stood at 4.30 times for FY23 (Prov.) as against 8.61 times for FY22 and 3.92 times for FY21.

Acuite believes that the financial risk profile of the company is likely to improve in the near to medium term on account of likely improvement in operating performance.

Limited track record of heavy fabrication operations

The group has entered into heavy fabrication work with a focus on wind mill towers in 2021. The group does not have prior track record of heavy fabrication work. However, the group has been able to secure orders for heavy fabrication of wind mill towers of Rs. 57 crore in FY23. Acuite believes that the ability of the group to successfully execute the orders at hand and secure additional orders will remain a key rating sensitivity.

Rating Sensitivities

- Sustained improvement in scale of operations while maintaining profitability
- Any elongation in working capital cycle
- Deterioration in financial risk profile

Material covenants

None

Liquidity Position Adequate

The liquidity of the group is adequate marked by sufficient cash accruals to meet its debt service obligation. The net cash accruals of the company stood at Rs. 15.76 crore in FY23 (Prov.) as against repayment obligation of Rs. 5.35 crore during the same period. The net cash accruals are likely to remain adequate to meet its debt service obligations in near to medium term. The company maintains unencumbered cash balance of Rs. 0.20 crore.

Acuite believes that the liquidity of the group will continue to remain adequate over the medium term on account of adequate cash accruals to service the debt service obligations over the medium term.

Outlook: Stable

Acuite believes that the group will continue to maintain a 'Stable' outlook over the medium term owing to its experienced promoters and healthy order book position. The outlook may be revised to 'Positive' if the company reports significant improvement in scale of operations while maintaining operating profitability and efficient working capital management. Conversely, the outlook may be revised to 'Negative' if the group registers decline in revenue and profitability leading to lower than expected cash accruals, deterioration in the financial risk profile or higher than expected working capital borrowing.

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	126.15	81.85
PAT	Rs. Cr.	10.22	6.62
PAT Margin	(%)	8.10	8.09
Total Debt/Tangible Net Worth	Times	2.05	1.31
PBDIT/Interest	Times	4.30	8.61

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

None

Any other information

None

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, Acuite 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
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.28	ACUITE BBB- Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	44.22	ACUITE BBB- Stable Assigned

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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.

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