

## Walchandnagar Industries Limited

February 24, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	-	-	Reaffirmed at CARE B; Stable (Single B; Outlook: Stable) and Withdrawn
Short-term Bank Facilities	-	-	Reaffirmed at CARE A4 (A Four) and Withdrawn
<b>Total Facilities</b>	-		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Walchandnagar Industries Limited (WIL) continue to remain constrained on account of, deterioration in financial risk profile during FY19, moderated debt protection metrics due to un-enslaved loss at PBT level during 9MFY20 (refers to April 19 to December 19) and working capital intensive nature of operations.

The ratings, however, derive comfort from, the company's track record of over 100 years in heavy engineering industry and long term experience of management in the line of business, project execution capacity with strong technical tie-up.

Hence, CARE has reaffirmed the outstanding ratings of 'CARE B; Stable/CARE A4' [Single B; Outlook: Stable/ A Four] assigned to the bank facilities of Walchandnagar Industries Limited; However, CARE has simultaneously withdrawn the ratings with immediate effect on the request of the company and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### Deterioration in financial risk profile marked by un-enslaved loss during 9MFY20, declining operating margin coupled with below average liquidity:

WIL registered y-o-y de-growth of 11.94% in total operating income which stood at Rs.249.95 Crore during 9MFY20 vis-a-vis Rs. 283.85 Crore in 9MFY19. Further, WIL registered PBILDT margin of 16.26% during 9MFY20 vis-à-vis 29.28% during 9MFY19. Furthermore, WIL registered un-enslaved loss at PBT level of Rs.43.32 Crore during Q3FY20. This was mainly on account of high interest cost of Rs.66.36 during 9MFY20 corresponding to term loan and working capital borrowings. Depreciation cost also stood high at Rs.17.61 crore during 9MFY20.

#### Low debt protection metrics and Moderate capital structure

Interest coverage during 9MFY20 stood below unity at 0.35x as against 1.07x during 9MFY19. Further, PBILDT interest coverage stood below unity at 0.61x during 9MFY20 (Unaudited refers to period April 19 to December19) . Long term debt to equity stood below unity at 0.62x as on March 31, 2019 (0.74x as on March 31, 2018), while overall gearing stood stable at 1.29x as on March 31, 2019.

#### Working Capital intensive nature of operations

WIL operates in working capital intensive industry, although improved, working capital cycle remained elongated at 389 days as at March 31, 2019, as against 447 days as at March 31, 2018, mainly led by blockage of funds in the form of receivables majorly from two of its projects TNEB and TENDAHO Phase I & Phase II.

#### Inherent cyclical nature of the industry

The heavy engineering industry including Defense Aerospace Nuclear & Missile industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. Apart from the demand side fluctuations, the highly capital intensive nature of raw material like steel risk associated to mismatch of supply side to demand side. The producers of heavy engineering are essentially pricetakers in the market, which directly expose their cash flows and profitability to volatility in the steel prices.

#### Key Rating Strengths

##### Experienced Promoters, long track record

Walchandnagar Industries Limited (WIL) a company with a track record of over 100 years was promoted by industrialist Late Seth Walchand Hirachand Doshi. Seth Doshi was one of the renowned industrialists of pre-independence India. He promoted

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

and established business ventures in various sectors like Automobiles, civil engineering, aircraft manufacturing, ship building, construction of dams and bridges and organized farming under “Walchand Group”. Presently the group is spearheaded by Mr. Chakor L. Doshi in the capacity of Chairman. Mr. C. L. Doshi is an M.Sc (Op. Research and Industrial Engineering) from USA and has been associated with WIL since more than three decades. He is ably supported by Mr. G.K. Pillai (CEO and Managing Director), having business experience of over three decades. Prior to WIL Mr. Pillai was associated with Heavy Engineering Corporation Limited, Ranchi as Chairman & Managing Director. The top management of WIL is ably supported by a team of qualified and experienced professionals.

#### Project execution capability with strong technical tie-ups

WIL have project execution capability in the heavy engineering business segment. The manufacturing facility of the company is located in ‘Walchandnagar’ town Maharashtra with area under crane of 56,000 square meters (sq. mt.) in its fabrication shop.

**Analytical Approach:** Not Applicable

#### Applicable Criteria

[Policy on Withdrawal of ratings](#)

#### About the Walchandnagar Industries Limited

Walchandnagar Industries Limited (WIL) was established by industrialist Late Seth Walchand Hirachand Doshi in the year 1908. During 1933, WIL entered in to organized farming business and also started a sugar manufacturing unit. WIL established its foundry in Satara, Maharashtra in the year 1940 and from 1956 onwards, entered in to heavy engineering segment with manufacturing for sugar industry related machinery at its Walchandnagar unit. WIL’s heavy engineering division is engaged in the engineering, fabrication and manufacture of machinery for heavy-duty gears for equipment for the Indian space, defense and nuclear power plants along with the sugar plants, cements plants, boilers. WIL’s foundry and machine shop division manufactures casting and undertakes machining of precision components.

Brief Financials		FY17 (A)	FY18 (A)	FY19 (A)	9MFY20 (UA)
Total operating income	(Rs. in Crore)	401.04	405.48	388.97	249.95
PBILDT	(Rs. in Crore)	51.12	82.74	105.40	40.65
PAT	(Rs. in Crore)	-79.52	-25.82	-2.14	-43.32
Overall gearing	(Times)	1.19	1.29	1.29	NA
Interest coverage	(Times)	0.22	0.64	1.31	0.61

A: Audited UA: Un-audited; NA- Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC	-	-	-	0.00	Withdrawn

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (14-Nov-17)	1)CARE D (11-Jul-16)
2.	Fund-based - LT-Cash Credit	LT	-	-	1)CARE B; Stable (04-Oct-19) 2)CARE BB; Stable (16-Aug-19)	1)CARE BB+; Stable (18-Feb-19)	1)CARE BB; Stable (15-Feb-18) 2)CARE D (14-Nov-17)	1)CARE D (11-Jul-16)
3.	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A4 (04-Oct-19) 2)CARE A4 (16-Aug-19)	1)CARE A4+ (18-Feb-19)	1)CARE A4 (15-Feb-18) 2)CARE D (14-Nov-17)	1)CARE D (11-Jul-16)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

### Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Mrs.Monika Goenka

Contact no. - 020-40009019

Email ID- [monika.goenka@careratings.com](mailto:monika.goenka@careratings.com)

### Relationship Contact

Mr. Aakash Jain

Contact no. : 020 4000 9090

Email ID: [aakash.jain@careratings.com](mailto:aakash.jain@careratings.com)

### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**