WALCHANDNAGAR INDUSTRIES LIMITED
Website: www.walchand.com **Email:** wil@walchand.com

Ref. No. : WI: SEC: 2019
Date : August 16, 2019

National Stock Exchange of India Ltd.
Corporate Action Department
Exchange Plaza, 5th floor,
Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (East)
Mumbai 400 051.
Fax :26598237/38, 66418126/25/24
SCRIP CODE : WALCHANNAG

BSE Ltd.,
Corporate Relations Department
1st floor, New Trading Ring,
Rotunda Bldg P. J. Tower,
Mumbai 400 001
Fax:: 22723121/2039/2037
SCRIP CODE : 507410

Dear Sirs,

Sub.: Disclosure under Regulation 30(6) read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

With reference to the above subject, we wish to inform you that **CARE RATINGS LIMITED,** the Credit Rating Agency, have revised the credit rating of the Company vide its letter dated August 14, 2019 as given below:

Facilities	Amount (Rs in crore)	Revised Rating assigned on 14.08.2019	Rating Action
Long Term Bank Facilities	220.00	**CARE BB; Stable (Double B; Outlook: Stable)**	**Revised from CARE BB+; Stable (Double B Plus; Outlook; Stable)**
Short Term Bank Facilities	715.00	**CARE A4 (A Four)**	**Revised from CARE A 4+ (A Four Plus)**
TOTAL	**935.00 (Rs. Nine Hundred and Thirty Five crore only)**		

In this regard, please find enclosed herewith Letter dated August 14, 2019 along with its Annexures issued by **CARE RATINGS LIMITED.**

You are requested to kindly take the above information on record please.

Thanking you,
Yours faithfully,

For Walchandnagar Industries Ltd.

G. S. Agrawal
Vice President (Legal & Taxation) & Company Secretary

Encl.: As above

CARE Ratings
Professional Risk Opinion

CARE/PRO/RL/2019-20/1127

Mr. G.K.Pillai
Managing Director & CEO
Walchandnagar Industries Limited,
Walchand House, 15/1/B-2,
Near Shashwat Hospital
G.A. Kulkarni Path
Kothrud
Pune 411038

August 14, 2019

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your firm for FY19 (audited) and Q1FY20 (un-audited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating[1]	Remarks
Long term bank facilities	220.00	**CARE BB; Stable [Double B; Outlook: Stable]**	**Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)**
Short term bank facilities	715.00	**CARE A4 [A Four]**	**Revised from CARE A4+ [A Four Plus]**
TOTAL	**935.00 [Rs. Nine Hundred Thirty Five Crore Only]**		

2. Refer **Annexure 1** for details of rated facilities.

3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by August 16, 2019 we will proceed on the basis that you have no any comments to offer.

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

CARE Ratings
Professional Risk Opinion

Celebrating 25 Year Analytical Excellence

4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.

8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

CARE Ratings Limited PUNE

Bhumika Jantwal
Analyst
bhumika.jantwal@careratings.com

Yours faithfully,

Divyesh Shah
Deputy General Manager
divyesh.shah@careratings.com

Encl.: As above

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.

Annexure 1
Details of Rated Facilities

1. Long- term facilities

1.A Fund Based limits

Sr. No.	Name of Bank	Fund Based Limits (Rs. crore)	
		CC*	Total fund-based limits
1.	State Bank of India	135.00	135.00
2.	Bank of India	85.00	85.00
	Total Facility	**220.00**	**220.00**

*CC=Cash credit

Total long-term facilities (1.A): Rs. 220.00 crore

2. Short -term Facilities

2.A. Non- Fund Based limits

Sr. No.	Banker/Lender	Type of Facility	Tenure	Rated Amount (Rs. crore)
1.	State Bank of India	LC/BG	ST	345.00
2.	Bank of India	LC/BG	ST	370.00
	Total Facility			**715.00**

*LC=Letter of credit; BG=Bank guarantee

Total short-term facilities (2.A) : Rs. 715.00 crore

CARE Ratings Limited PUNE

Press Release
Walchandnagar Industries Limited

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Remarks
Long term bank facilities	220.00	CARE BB; Stable [Double B; Outlook: Stable]	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable)
Short term bank facilities	715.00	CARE A4 [A Four]	Revised from CARE A4+ [A Four Plus]
TOTAL	935.00 [Rs. Nine Hundred Thirty Five Crore Only]		

Detailed Rationale and Key Rating Drivers

The revision in the ratings to the bank facilities of Walchandnagar Industries Limited (WIL) takes into account un-envisaged loss in Q1FY20 (refers to the period April 2019 – June 2019), low debt protection metrics, working capital intensive nature of operations and deferment of scheduled equity investment amounting to Rs. 200.00 crore via Qualified Institutional Placement (QIP) out of which company had plans to raise Rs. 100.00 crore by Q1FY20.

The ratings, however, continues to derive strength from company's long track record of over a century in heavy engineering industry and long term experience of promoters in the line of business, improved revenue mix on the back of increased order execution in the Defence, Nuclear, Aerospace & Missile (DNAM) segments and financial assistance from Kohlberg Kravis Roberts (KKR) amounting to Rs. 237.00 crore (Rs. 180.00 crore term loan + Rs. 57.00 crore un-listed NCD).

The ratings also takes into account FY19 (A) (refers to April 2018 to March 2019) performance of the company.

Going forward, the ability of WIL to turn profitable by executing outstanding order book without any time and cost overruns; along-with securing new orders thereby providing continued revenue visibility, improving the capital structure, effective management of working capital led by timely realisation of outstanding & new debtors are the key rating sensitivities. Also the ability to liquidate non-core assets is key rating monitorable.

Detailed description of the key rating drivers

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 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 four 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.

Financial Assistance from Kohlberg Kravis Roberts (KKR)

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

The company in May 25, 2017 received a sanction from KKR for Rs.243.00 crores in the form of a term loan of Rs.186.00 crore and unlisted non-convertible debentures (NCD) of Rs.57.00 crore against which the company has availed Rs.237.00 crore as on May 25, 2017; (term loan of Rs.180 crores and Rs.57 crores of NCD). The said funds received from KKR have been utilized for the repayment of the term loans, and regularizing the working capital limits. Repayment of these funds will commence in September 2019. Timely repayment of the said debt will be a key rating monitorable.

Project execution capability with strong technical tie-ups

WIL is an ISO 9001:2015 company with proven 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.

Key Rating Weaknesses

Deterioration in financial risk profile marked by un-envisaged loss in Q1FY20, declining operating margin coupled with below average liquidity

WIL registered total operating income (TOI) of Rs.67.35 crore in Q1FY20 (UA) registering a y-o-y decline of 10.97% as against TOI of Rs. 75.65 crore in Q1FY19 led by decline in heavy engineering business by 6.52% in Q1FY20. Also execution of few DNAM business was deferred to next quarters. PBILDT margin in Q1FY20 declined by 2331 bps and stood at 11.45% vis-à-vis 34.76% during Q1FY19. Majorly impacted by increase in raw material cost in foundry division and sales mix variance dominated by low margin orders as compared to Q1FY19. Further, WIL registered un-envisaged loss of Rs. 20.49 crore in Q1FY20. This was mainly on account of high interest cost of Rs. 22.27 crore in Q1FY20 corresponding to term loan and working capital borrowings. Depreciation cost also stood high at Rs. 5.93 crore for Q1FY20.

Interest coverage in Q1FY20 stood below at 0.35x. as against 1.37x in Q1FY19. Major interest cost was for cash credit facility and bank guarantee and letter of credit charges.

During FY19 (A), WIL registered total operating income of Rs.388.97 crore indicating y-o-y de-growth of 4.07% as against TOI of 405.48 crore during FY18 (A). Albeit WIL registered PBILDT margin of 27.10% in FY19 vis-à-vis 20.41% in FY18. On account of high Interest and depreciation cost of Rs.80.51 crore and Rs. 27.03 crore, respectively WIL incurred a loss of Rs. 2.14 crores in FY19. However GCA stood positive at Rs. 24.89 crores during FY19 as against GCA of Rs. 7.64 crore during FY18.

Moderate debt protection metrics and capital structure

As on March 31, 2019 Total debt to GCA stood at 16.83x, PBILDT interest coverage stood at 1.31x. 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.

Improvement in debt protection metrics is key rating sensitivity.

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 Tendhao Phase I & Phase II. Improvement in bank line utilization levels and realization of stuck debtors is key rating monitorable.

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 price-takers in the market, which directly expose their cash flows and profitability to volatility in the steel prices.

Deferment of Asset Sale

The company has also undertaken to sell the non-core assets properties. The company within the period of 24 months from the disbursement of the facility from KKR was required to sell the property for the repayment of the facility. Although the sale of the same has been deferred on account of un-favorable market conditions

Sale of these assets and thereby reducing debt is key rating monitorable.

Liquidity Stretched

WIL's liquidity is marked by tightly matched accruals to repayment obligations, highly utilized bank limits at ~99% of the sanctioned limits and low cash balance.

The management's plan to raise funds through Qualified Institutional Placement (QIP) has been currently delayed due to suppressed market conditions, if successfully implemented, may provide additional cash inflow for repayment of loans, plant modernization and working capital requirements.

Industry Outlook

The Indian engineering sector is divided into two major segments - heavy engineering and light engineering. The initiatives of the government through various programs including Smart City Initiative, Make in India and Domestic Preference Policy to support companies and manufacturing units to produce and procure locally will benefits companies which are looking to grow in power, nuclear, railways, defense etc in the long run.

Companies engaged in the engineering sector are virtually on a roll. Capacity creation in sectors like infrastructure, power, mining, oil & gas, refinery, steel, automotive, and consumer durables has been driving demand in the engineering sector.

Analytical approach: Standalone

Applicable criteria

Criteria on assigning Outlook to Credit Ratings
Criteria for Short Term Instruments
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Rating Methodology Manufacturing Companies

About the Company

Walchandnagar Industries Limited (WIL) is 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 (Rs. crore)	FY17 (A)	FY18 (A)	FY19 (A)	Q1FY20 (UA)
Total operating income	401.04	405.48	388.97	67.35
PBILDT	51.12	82.74	105.40	7.71
PAT	-79.52	-25.82	-2.14	-20.49
Overall gearing (times)	1.19	1.29	1.29	NA
Interest coverage (times)	0.22	0.64	1.31	0.35

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

PUNE

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	-	-	-	220.00	CARE BB; Stable
Non-fund-based - ST-BG/LC	-	-	-	715.00	CARE A4

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	220.00	CARE BB; Stable	-	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	715.00	CARE A4	-	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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us
Media Contact
Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Mr. Ashish Kashalkar
Contact no. - 020-40009003/ 9890615061
Email ID- ashish.kashalkar@careratings.com

Business Development Contact
Mr. Aakash Jain
Contact no. : 020 4000 9090
Email ID: 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.