

**WALCHANDNAGAR INDUSTRIES LIMITED**

Walchandnagar: 413 114, Dist Pune, Maharashtra, India

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Website: www.walchand.com Email: wil@walchand.com

Ref. No. : WIL:SEC: 2022

Date : November 14, 2022

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 **India Ratings and Research Private Limited**, the Credit Rating Agency, have assigns the credit rating of the Company vide its Email dated November 14, 2022 as given below:

	Fund-based working capital limit (Rs. in Million.)	Non-fund-based working capital limit (Rs. in Million.)
Total Rated Quantum	2,145.40	5,095.60
Rating/Outlook	IND B-/Stable/IND A4	IND A4
Most recent Rating Action	Assigned	Assigned

In this regard, please find enclosed herewith Published rating dated November 14, 2021 issued by **India Ratings and Research Private Limited**.

We have requested Acuite Ratings & Research Limited to withdraw our rating which will be completed in due course.

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

Thanking you,
Yours faithfully,

For Walchandnagar Industries Ltd.

G. S. Agrawal
Whole Time Director & Company Secretary
Encl.: As above

India Ratings Assigns Walchandnagar Industries 'IND B-'/Stable

Nov 14, 2022 | Construction

India Ratings and Research (Ind-Ra) has assigned Walchandnagar Industries Limited (WIL) a Long-Term Issuer Rating of 'IND B-'. The Outlook is Stable. The instrument-wise rating actions are given below:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based working capital limit	-	-	-	INR2,145.40	IND B-/Stable/IND A4	Assigned
Non-fund-based working capital limit	-	-	-	INR5,095.60	IND A4	Assigned

Key Rating Drivers

Restructuring of KKR's debt: WIL has delayed in servicing KKR India Financial Services Private Limited's term loan and the non-convertible debentures (NCDs) issued to KKR India Debt Opportunities Fund II in FY21. KKR assigned the entire debt of INR2,073 million on 31 March 2022 to Assets Care and Reconstruction Enterprise Limited (ACRE) for a settlement value of INR720 million, of which INR620 million was funded by ACRE and the remaining INR100 million was funded by WIL, via inter-corporate deposits. Furthermore, WIL needs to issue 7% of the total issued and paid-up share capital in favour of ACRE. The company plans to repay ACRE's loan by selling its identified non-core assets. As per the standstill agreement between WIL and ACRE, which was signed on 19 July 2022, all the existing event of default shall be waived during the standstill period of 12 April 2022 to 12 April 2023. WIL has to pay monthly interest of INR8.27 million during the standstill period, an aggregate payment of INR250 million at the end of the standstill period and maintain a minimum operating EBITDA of INR550 million FY23 onwards. The timely execution of the standstill conditions remains a rating monitorable.

Liquidity Indicator- Poor: WIL's average maximum utilisation of the fund-based limit was 97.15% for the 12 months ended September 2022. Its cash and cash equivalent stood at INR29.40 million at FYE22 (FYE21: INR29.20 million; FYE20: INR32.10 million). The cash flow from operations reduced to negative INR423.10 million in FY22 (FY21: INR25.60 million; FY20: negative INR97.50 million), due to high finance cost and an unfavourable change in the working capital. The free cash flow remained negative at INR454 million in FY22 (FY21: negative INR41 million; FY20: negative INR248.20 million), mainly due to negative cash flows from operations. The net cash conversion cycle increased to 692 days in FY22 (FY21: 572; FY20: 1,030), due to an increase in the inventory days to 581 (493; 1,078) and debtor days to 269 (235; 243). During FY09, WIL had received two large-size orders from Tamil Nadu Electricity Board (TNEB), totalling around INR11,250 million and Tendaho Phase-I & II, Ethiopia, totalling INR7,000 million- 8,000 million, with a delivery period up to two-to-three years. However, the projects were delayed, leading to higher inventory and debtors days, thereby resulting in cash flow crisis. After that WIL has not undertaken any new engineering, procurement and construction projects and is only working on the existing projects till the funds are released from the customers. Ind-Ra expects its liquidity to remain poor in the medium term. WIL has repayment obligation of INR490 million for FY24.

Small Scale of Operations: In FY22, the company's revenue reduced 8.12% to INR2,991.90 million (FY21: INR3,256.40 million; FY20: INR2,980.50 million). Its heavy engineering division (HED) contributed 79.95% to the total revenue in FY22 (FY21: 86.19%; FY20: 78.71%) and the foundry division contributed around 14.05% (10.62%, 15.39%). The instrumentation division accounted for the remaining revenue. The aerospace and missile business contributed around 23.83% to the HED revenue in FY22 (FY21: 29.39%; FY20: 24.67%), followed by the defence business (22.47%; 20.56%; 9.30%), the gear business (around 10.46%; 10.47%; 10.91%). The revenue from the nuclear business declined to INR32.71 million (accounting for 1.09% of the total revenue) in FY22 (FY21: INR322.81 million (9.91%)), due to no new tenders floated by Nuclear Power Corporation of India Limited ('IND AAA/Stable) during the COVID-19 period till the time the previous orders were fully implemented. WIL received order worth INR1,800 million from NPCIL till October 2022. The revenue from the aerospace and missile business reduced to INR712.97 million in FY22 (FY21: INR957.01 million), due to raw materials availability issues during the COVID-19 period, leading to a delay in the execution. Nevertheless, WIL has recently received orders worth more than INR2000 million from the aerospace business. In 1QFY23, WIL achieved INR 648.2 million revenue. The HED contributed around 73% and the foundry division contributed around 18.75% to the revenue. As on 30 September 2022, WIL had INR8,660 million unexecuted orders.

Modest EBITDA Margin: WIL's EBITDA margin remained modest at 7.39% in FY22 (FY21: 6.06%; FY20: 11.30%), due to the variation in the cost of goods sold, following the change in product mix. The return on capital employed remained negative 0.02% in FY22 (FY21: negative 0.47%). WIL executed some strategic projects at a loss in the defence and nuclear business during FY21-FY22. Although the company's absolute EBITDA increased to INR221.10 million in FY22 (FY21: INR197.50 million; FY20: INR336.80 million), it incurred a net loss of INR380.7 million (INR 572.4 million; INR 654.6 million). As of 1QFY23, the company had incurred an operating loss of INR45.5 million (1QFY22: negative INR25.6 million).

Weak Credit Metrics: The gross interest coverage (operating EBITDA/gross interest expense) remained weak at 0.31x in FY22 (FY21: 0.25x; FY20: 0.39x) and the net leverage (total adjusted net debt/operating EBITDA) deteriorated to 22.17x (23.07x; 13.06x), owing to an increase in its total debt to INR4,931.80 million (INR4,586.50 million; INR4,432.10 million).

Established Track Record and Experienced Promoters: WIL was promoted by (late) Seth Walchand Hirachand Doshi and is in the business for more than 100 years. WIL has presence in the areas such as defence, nuclear, missiles, aerospace and industrial products such as gears, centrifugal, castings and gauges, crushing and grinding solutions and process equipment. Mr. Chakor Lalchand Doshi, the current the chairman of the company, has over four decades of experience.

Rating Sensitivities

Positive: A substantial improvement in liquidity, on a sustained basis, would be positive for the rating.

Negative: A substantial deterioration in liquidity, on a sustained basis, would be negative for the rating.

Company Profile

Established in 1908, WIL provides engineering, procurement and construction solutions and supplies machinery and equipment to aerospace and missile, defence, nuclear, gear, centrifugal, sugar plants, among others. WIL has heavy engineering division, foundry division and instrumentation division.

FINANCIAL SUMMARY

Particulars	FY22	FY21
Revenue (INR million)	2,991.90	3,256.40
EBITDAR (INR million)	221.10	197.50
EBITDAR margin (%)	7.39	6.06
Gross interest coverage (x)	0.31	0.25
Net leverage (x)	22.17	23.07
Source: Ind-Ra; WIL		

Solicitation

Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Bank wise Facilities Details

[Click here to see the details](#)

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Fund-based working capital limit	Low
Non-fund-based working capital limit	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

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APPLICABLE CRITERIA

Evaluating Corporate Governance

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

DETAILED FINANCIAL SUMMARY

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