

**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 : 2023

Date : July 07, 2023

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 assigned the credit rating of the Company vide its email dated July 07, 2023 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	4,595.60
Rating/Outlook	IND B/Stable/IND A4	IND A4
Most recent Rating Action	Long-term rating upgraded; short-term rating affirmed	Affirmed

In this regard, please find enclosed herewith Published rating dated July 07, 2023 issued by **India Ratings and Research Private Limited**.

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
DIN: 00404340
Encl.: As above

India Ratings Upgrades Walchandnagar Industries to 'IND B'; Outlook Stable

Jul 07, 2023 | Industrial Products

India Ratings and Research (Ind-Ra) has upgraded Walchandnagar Industries Limited's (WIL) Long-Term Issuer Rating to 'IND B' from '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	Long-term rating upgraded; short-term rating affirmed
Non-fund-based working capital limit	-	-	-	INR4,595.60 (reduced from INR5,095.60)	IND A4	Affirmed

WIL had delayed the servicing of KKR India Financial Services Private Limited's (KKR) term loan and the non-convertible debentures issued to KKR India Debt Opportunities Fund II in FY21. On 31 March 2022, KKR assigned the entire debt of INR2,073 million 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. As per the standstill agreement between WIL and ACRE, which was signed on 19 July 2022, all the existing event of default would be waived during the standstill period of 12 April 2022 to 12 April 2023. WIL would have to pay monthly interest of INR8.27 million during the standstill period, and an aggregate payment of INR250 million at the end of the standstill period. Furthermore, WIL needed to issue 7% of the total issued and paid-up share capital in favour of ACRE.

The upgrade reflects WIL successful meeting the standstill conditions imposed by ACRE for the restructuring of KKR's debt. Furthermore, Ind-Ra expects WIL's profitability to improve in the near-to-medium term.

Key Rating Drivers

Successful Execution of Standstill Conditions: WIL repaid the aggregate amount of INR250 million and monthly interest of INR8.27 million during the standstill period in a timely manner to ACRE, thereby adhering to the conditions imposed by the latter. Furthermore, WIL has issued 7% of the total issued and paid-up share capital, amounting to INR6.42 million, to ACRE. WIL has to repay the remaining INR370 million along with payment-in-kind loan of INR39.2

million by 31 March 2025, which will be sourced through sale of non-core assets.

EBITDA Margin Likely to Improve: Ind-Ra expects WIL's EBITDA margins to improve over the near-to-medium owing to the likely execution of high-value orders. WIL incurred an EBITDA loss of INR346.40 million in FY23 (FY22: EBITDA of INR221.10 million, margin of 7.39%; FY21: INR197.50 million, 6.06%), due to an increase in the cost of goods sold and one-time adjustment of writing off old non-moving WIP inventory worth INR196.4 million and a provision of INR 241.84 million for doubtful debts. After excluding the one-time adjustment, the adjusted EBITDA margin stood at 2.85% and the adjusted EBITDA stood at INR91.84 million. The ROCE remained negative at 8.71% in FY23 (FY22: negative 0.02%; FY21: negative 0.47%).

Liquidity Indicator- Poor: WIL's average maximum utilisation of the fund-based limits was 95.53% for the 12 months ended May 2023. Its cash and cash equivalent stood at INR17.80 million at FYE23 (FYE22: INR29.40 million; FYE21: INR29.20 million). The cash flow from operations turned positive at INR267.20 million in FY23 (FY22: negative INR423.10 million; FY21: INR25.60 million), due to favourable changes in the working capital. The free cash flow also turned positive at INR251.50 million in FY23 (FY22: negative INR454 million; FY21: negative INR41 million) due to the improvement in the cash flow from operations. The net cash conversion cycle remained stretched but improved to 469 days in FY23 (FY22: 692 days; FY21: 572 days), mainly due to a reduction in the inventory days to 407 days (581 days; 493days).

During FY09, WIL had received two large-size orders, one from Tamil Nadu Electricity Board (TNEB), worth around INR11,250 million, and one from Tendaho Phase-I & II, Ethiopia, worth 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 debtor period, resulting in a cash flow crisis. Consequently, WIL has very high repayment obligations of INR450 million and INR 268.2 million in FY24 and FY25, respectively, and the repayment of the same is likely to be funded through the sale of non-core assets. Ind-Ra expects WIL's liquidity to remain poor in the near term and gradually improve in the medium term post the repayment of ACRE's debt.

Scale of Operations Remains Small: In FY23, the company's revenue marginally improved to INR3,220.90 million (FY22: INR2,991.90 million; FY21: INR3,256.40 million) due to an increase in the number of orders executed by the company. Its heavy engineering division (HED) contributed 75.69% to the total revenue in FY23 (FY22: 79.95%; FY21: 86.19%) and the foundry division contributed around 17.77% (14.05%; 10.62%). The instrumentation division accounted for the remaining revenue. Within HED, the gear business contributed around 17.04% to the total revenue in FY23 (FY22: 10.46%; FY21: 10.47%), the aerospace and missile business contributed 17.03% (23.83%; 29.39%), and the crushing and grinding business contributed 15.94%% (9.57%; 9.25%). Furthermore, in HED, the revenue from the nuclear business increased to INR134.59 million in FY23 (FY22: INR32.37 million; FY21: INR322.81 million), taking its share in the total revenue to 4.18% (1.09%; 9.91%). As on 31 May 2023, WIL had unexecuted orders worth INR9,223 million. Of this, orders worth INR2,786.50 million were from Nuclear Power Corporation of India Limited. Ind-Ra expects the revenue to increase in the near-to-medium term on the back of the execution of the high-value orders.

Deterioration in Credit Metrics: WIL's credit metrics remained weak and deteriorated in FY23 owing to the fall in the adjusted EBITDA. The gross interest coverage (operating adjusted EBITDA/gross interest expense) weakened to 0.17x in FY23 (FY22: 0.31x; FY21: 0.25x) and the net leverage (total adjusted net debt/operating adjusted EBITDA) deteriorated to 31.70x (22.17x; 23.07x). Ind-Ra expects the credit metrics to remain weak in the medium term.

Established Track Record; Experienced Promoters: WIL has been in existence for more than a century. The company has presence in areas such as defence, nuclear, missiles, aerospace and industrial products such as gears, centrifugal, castings and gauges, crushing and grinding solutions and process equipment. Chakor Lalchand Doshi, the chairman of the company, has over four decades of experience in the business.

Rating Sensitivities

Negative: Lower-than-expected profitability, leading to further deterioration in liquidity, or delay in monetisation of non-core assets, leading to weaker-than-expected credit metrics, on a sustained basis, would be negative for the rating.

Positive: Improvement in operating profitability, leading to an improvement in liquidity, and sale of non-core assets, leading to an improvement in the credit metrics, on a sustained basis, would be positive for the rating.

Company Profile

Established in 1908, WIL provides engineering, procurement and construction solutions and supply's machinery and equipment to the aerospace and missile, defence, nuclear, gears, centrifugal, and sugar sectors. WIL has the heavy engineering division, foundry division and instrumentation division.

FINANCIAL SUMMARY

Particulars	FY23	FY22
Revenue (INR million)	3,220.90	2,991.90
EBITDAR (INR million)	-346.40	221.10
EBITDAR margin (%)	-10.75	7.39
Gross interest coverage (x)	NA	0.31
Net leverage (x)	NA	22.17
Source: Ind-Ra; WIL		

Non-Cooperation with previous rating agency

Not applicable

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.

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (million)	Rating	14 November 2022
Issuer rating	Long-term		IND B/ Stable	IND B-/ Stable
Fund-based working capital limit	Long-term/ Short-term	INR2,145.40	IND B/ Stable/ IND A4	IND B-/ Stable/ IND A4
Non-fund-based working capital limit	Short-term	INR4,595.60	IND A4	IND A4

Bank wise Facilities Details

[Click here to see the details](#)

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Fund-based facilities	Low
Non-fund-based facilities	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

The Rating Process

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

DETAILED FINANCIAL SUMMARY

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