



Ref. No. : WI:SEC:2018
Date : February 15, 2018

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

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

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 (CARE) - the Credit Rating Agency, have reaffirmed the credit rating of the Company vide its letter dated February 14, 2018 as given below :

Facilities	Amount (Rs in crore)	Revised Rating assigned on 14.02.2018	Rating Action
Long Term Bank Facilities	220.00	CARE BB Stable (Double B; Outlook: Stable)	Revised from CARE D (Single D)
Short Term Bank Facilities	715.00 (Enhanced from 645.00)	CARE A4 (A Four)	Revised from CARE D (Single D)
TOTAL	935.00 (Rs. Nine Hundred and Thirty Five crore only)		

In this regard, please find enclosed herewith Letter dated February 14, 2018 along with its Annexures 1 & 2 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/PRO/RL/2017-18/1559
Mr. Vivek Jain
 Chief Financial Officer
Walchandnagar Industries Limited
 Walchand House, 15/1/B-2
 G.A. Kulkarni Path,
 Opposite Karishma Society Gate no 2,
 Kothrud,
 Pune-411038

February 14, 2018

Confidential

Dear Sir,

Credit rating for bank facilities

Please refer to your request for rating the bank facilities of your company.

2. The following ratings have been assigned by our rating agency

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	220.00	CARE BB Stable (Double B; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	715.00 (Enhanced from 645.00)	CARE A4 (A Four)	Reaffirmed
Total	935.00 (Rs. Nine hundred and Thirty Five Crore only)		

3. Refer **Annexure 1** for details of rated facilities.
4. 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

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

early as possible. In any case, if we do not hear from you by February 14, 2017, we will proceed on the basis that you have no any comments to offer.

5. 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.
6. 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.
7. 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.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.



Page 2 of 8

CARE RATINGS LIMITED
(Formerly known as Credit Analysis & Research Limited)

9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 016. India.

Tel. No. 020 - 40009000 | Email : care@careratings.com | Website : careratings.com

CIN-L67190MH1993PLC071691

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

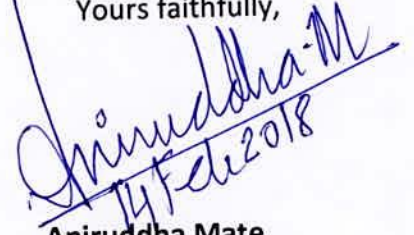
Thanking you,



Priya Thomas
Deputy Manager
priya.thomas@careratings.com
Encl.: As above



Yours faithfully,



Aniruddha Mate
Senior Manager
aniruddha.mate@careratings.com

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is 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.

Annexure 1
Details of Rated Facilities

1. Long-term facilities

1.A. Facility 1

Sr. No.	Name of Bank	Fund Based Limits (Rs crores)		
		CC	Others	Total fund-based limits
1.	State Bank of India	135.00	NIL	135.00
2.	Bank of India	85.00	NIL	85.00
	TOTAL	220.00	NIL	220.00

Total long-term facilities as at January 31, 2018 (1.A.) Rs. 220.00 crore.

2. Short-term facilities

2.B. Facility 2

Sr. No.	Name of Bank	Non Fund Based Limits (Rs crores)		
		LCs/ BGs*	Others	Tenure as per sanction
1.	State Bank of India	345.00	NIL	Less than one year
2	Bank of India	370.00	NIL	Less than one year
	TOTAL	715.00	NIL	

*LC=Letter of credit; BG=Bank guarantee

Total Short-term facilities as at January 31, 2018 (2.B.) Rs. 715.00 crore.



**Annexure 2
Press Release**

Ratings			
Instrument	Amount (Rs. crore)	Rating¹	Rating Action
Long Term Bank Facilities-Fund Based	220.00	CARE BB Stable (Double B; Stable)	Revised from CARE D (Single D)
Short Term Bank Facilities	715.00	CARE A4; Stable (A Four; Stable)	Revised from CARE D (Single D)
Total	935.00 (Rupees Nine Hundred and Thirty Five only)	-	-

Details of instruments/facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

Rating Rationale

The revision in the ratings of the bank facilities of Walchandnagar Industries Limited (WIL) takes into account the ease of the liquidity position led by fund infusion from Kohlberg Kravis Roberts (KKR) - the Private equity leading to closure of the term loans and regularization of the cash credit (CC) facilities post mid-September 2017 and delay free track record since mid-September. Further, rating takes into account improved revenue mix on the back on increased order execution in the Defence, Nuclear, Aerospace & Missile (DNAM) segment leading to improved operating profitability in H1FY18 (refers to the period from April 01 to September 30) y-o-y and effective working capital management on the back of sooner realizations of the receivables.

The ratings further, factor in medium term revenue visibility with outstanding order book equivalent to 2.20x of FY17(refers to the period from April 01, 2016 to March 31, 2017) total operating income improved sales mix in the DNAM segment. The rating continues to derive strength from the experienced promoters and a legacy of over 100 years.

The rating strengths are constrained on account of high gearing indicators, below average financial risk profile, working capital intensive nature of operations, susceptibility of business performance to cyclical economic conditions and intense competition in industry.

The ability of WIL to execute outstanding order book without any time and cost overruns along-with securing order inflows thereby providing continued revenue visibility and improving the operating performance & financial risk profile, along with improving the capital structure and effective management of working capital led by quicker realisation of outstanding debtors are the key rating sensitivities. The ability to maintain delay free track record and liquidate non-core assets is key rating monitorable.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoters

Walchandnagar Industries Limited (WIL) a company with a track record of over 100 years was promoted by industrialist Late Mr. Walchand Hirachand Doshi. Mr. Walchand Hirachand 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

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



Mr. Chakor L. Doshi in the capacity of Chairman. Mr. Doshi is an M.Sc (Op. Research and Industrial Engineering) from USA and has been associated with WIL since more than three decades. Mr. Doshi 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 Instrumentation Limited, Kota (a Government Of India undertaking), Fisher Sanmar Limited as Vice President and Heavy Engineering Corporation Limited 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) easing liquidity

The company in May 25, 2017 received a sanction from KKR for Rs.243.00 crores in the form of 186.00 crore of term loan and Rs.57.00 crore of unlisted non convertible debentures (NCD). However, the company has withdrawn Rs.237 crore; term loan of Rs.180 crores and Rs.57 crores of NCD. The end use of the receipts from KKR was for the repayment of the term loans, and regularizing the working capital limits for utilized for the working capital.

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 is required to sell the property for the repayment of the facility. Further, the company has entered into an Memorandum of Understanding for the sale of one of the properties ~ Rs.15- Rs.25 crores by June 2018. Sale of these assets and thereby reducing debt is key rating monitor able.

Improved profitability in H1FY18, led by DNAM segment.

The company registered total operating income of Rs.436.37 crore in FY17 indicating a y-o-y de-growth of 27.45% on account of the slower execution of the existing orders in hand on back of the subdued performance of capital goods industry. The company in 9MFY18 achieved a total operating income of Rs. 288.08crore as compared to Rs. 275.97crore in 9MFY17. Further, the PBILDT margins of the company improved to 20.55% in 9MFY18 as compared to 11.74% in 9MFY17. Further, in H1FY18, the company has realized Rs.121.82 crores from the gross sales of Rs.138.80 crores, the same displays sooner realization of the debtors. Furthermore, 76% of the gross sales during H1FY18 were from the DNAM segment having higher margin and relatively quicker debtor realization..

WIL in September 2017 had received Rs.237 crore of funds infusion from a financial Investor which was utilized for repayment of the debt and regularization of the cash credit facility. The same eased the liquidity stress of the company.

Revenue visibility with outstanding order book position representing 2.20x of FY17 Total operating income.

The outstanding order book of WIL as on December 31, 2017 is Rs.963.11 crore equivalent to 2.20x of FY17 total operating income comprising of orders both from the manufacturing and the EPC division. Further around 60% of the business is from Defence, Nuclear, Aerospace & Missile (DNAM) segment. The current order book derives higher proportion from DNAM segment when compared to previous years, has higher margins and will ease the operating cycle on the back of lower working capital requirements in these projects. The same translates into revenue visibility over the medium term (expected to be executed within 48 months). Timely execution of these projects without any time and cost overruns would be critical for achieving projected cash accruals.

Diversified outstanding order book rendering medium term revenue visibility

The order book is well-diversified order book across various sectors. The sectors of energy, sugar comprised of the 40% order book. The remaining sectors including DNAM comprised 60% of the order book. WIL is relying more on manufacturing business, largely DNAM as opposed to EPC earlier.

Project execution capability with strong technical tie-ups

WIL is an ISO 9001:2008 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. Furthermore,

WIL is also a part of the consortium with Northern Heavy Industries (NHI), Benxi Steel Design Institute (BSDI) and Coal Research Institute (CRI). By being a member of the consortium the company has access to the latest technology to enable bidding for all kinds of washery and beneficiation plants.

Key Rating Weakness

Loss marking operations

The company registered a Net Loss of Rs.64.26 crores & Rs.21.35 in FY17 and H1FY18 respectively on the back of higher interest cost. The GCA of the company continued to be at negative levels of Rs.4.20 crore in H1FY18 as compared to negative Gross Cash accrual of Rs.27.08 crore in FY17. The debt profile of the company post the repayment of the term debt comprises of cash credit facility of Rs.220.00 crore and Non fund based limit of LC/BG of Rs.715 crores. Further, KKR has invested in the form of Rs.180.00 crore of term loan and Rs.57.00 crore of unlisted non convertible debentures (NCD).

The PBILDT interest coverage of the company has been below unity in FY17. Any further deterioration in profitability levels and capital structure is key rating sensitivity.

Working Capital intensive nature of operations

WIL operates in working capital intensive industry with working capital cycle of 514 days as on September 30, 2017 as against 468 days as on March 31, 2017. The working capital cycle of the company is high on account of large inventory days of 252 days as on September 30, 2017 on the back of multiple projects being executed and elongated collection period of 420 days as on September 30, 2017 on account of retention money held projects completed. The retention money of TNEB and Tendhao Phase I & Phase II is of Rs. 170.00 crore as on December 31, 2017. The average four monthly utilization ending January 2018 (post September 2017) fund infusion was lower than 90%. 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 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.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Rating

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Financial Ratios-Non Financial Sectors

Rating Methodology Manufacturing Companies

About the Company

Walchandnagar Industries Limited (WIL) is established by industrialist Late Mr. Walchand Hirachand Doshi in the year 1908 as a concrete structure manufacturing unit. 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 sugar plants, cements plants, boilers, and heavy-duty gears for equipment for the Indian space, defense and nuclear power plants. WIL's foundry and machine shop division manufactures casting and undertakes machining of precision components.

During FY17 WIL reported total operating income (TOI) of Rs.436.37 crore, (FY16: Rs.773.18 crore) and Net Loss of Rs.64.26 crore (FY16: Rs.71.68 crore).

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)	9MFY18 (UA)
Total operating income	773.18	436.37	288.08
PBILDT	64.22	59.45	54.59
PAT/(Net Loss)	-71.68	-64.26	-27.91
Overall gearing (times)	3.67	8.92	-
Interest coverage (times)	0.70	0.85	0.96

Status of non-cooperation with previous CRA: None

Any other information: NA

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

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.

Analyst Contact

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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

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