

**WALCHANDNAGAR INDUSTRIES LIMITED**

Walchandnagar: 413 114, Dist Pune, Maharashtra, India

Tel: 02118- 307100 / 252 235 Fax: 02118- 252 358

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

Ref. No. : WIL: SEC:2024

Date : November 08, 2024

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 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - **Intimation for withdrawal of credit rating on the request of the Company.**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that on the request of the Company, **India Ratings and Research Limited** ("the Credit Rating Agency"), has withdrawn the ratings assigned to the Bank Loan of the Company, vide its Press Release dated November 08, 2024, as given below:

<b>Instrument Description</b>	<b>Quantum (Rs. In millions)</b>	<b>Rating Action</b>
Fund Based Working Capital Limit	1,964.10	IND B+'/Stable/'IND A4'   Affirmed and Withdrawn
Non-Fund Based Working Capital Limit	4,445.60	IND A4   Affirmed and Withdrawn
		-

The above mentioned ratings have now been withdrawn by the rating agency vide its Press Release dated November 08, 2024.

The Company has already obtained credit rating from **ACUITE Ratings and Research Limited** for the above mentioned facility and the same was intimated to the Stock Exchanges vide our Letters dated August 02, 2024.



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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 Affirms and Withdraws Walchandnagar Industries's Bank Facilities' Ratings

Nov 08, 2024 | Industrial Products

India Ratings and Research (Ind-Ra) has taken the following rating actions on Walchandnagar Industries Limited's (WIL) bank facilities' ratings:

### Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Fund-based working capital limit*	-	-	-	INR1,964.10	WD	Affirmed and withdrawn
Non-fund-based working capital limit**	-	-	-	INR4,445.60	WD	Affirmed and withdrawn

\*Affirmed at 'IND B+/Stable/IND A4' before being withdrawn

\*\*Affirmed at 'IND A4' before being withdrawn

### Analytical Approach

The agency continues to take a standalone view of WIL to arrive at the ratings.

### Detailed Rationale of the Rating Action

The affirmation reflects WIL's continued small scale of operations, modest EBITDA margins, and weak credit metrics in FY24. However, the ratings are supported by sustained liquidity support available to WIL from the sale of non-current assets and equity infusions. A proposed equity infusion by FY26 will further aid the liquidity of the company. Furthermore, Ind-Ra expects an improvement in WIL's profitability and liquidity in the medium term, on account of a likely improvement in the scale of operations.

Ind-Ra is no longer required to maintain the ratings, as the agency has received a no-objection certificate from the lenders. This is consistent with Ind-Ra's Policy on Withdrawal of Ratings.

### List of Key Rating Drivers

#### Weaknesses

- Small scale of operations; decline in revenue in FY24 due to disruption in operations
- Modest EBITDA margins; profitability improved in FY24
- Weak credit metrics
- Elongated working capital cycle

#### Strengths

- Issuance of share warrants and capex plans to mitigate delay in sale of non-core assets

- Successful execution of standstill conditions

## Detailed Description of Key Rating Drivers

**Small Scale of Operations; Decline in Revenue in FY24 due to Disruptions in Operations:** WIL's revenue declined to INR3,023.5 million in FY24 (FY23: INR3,220.90 million FY22: INR2,991.90 million) as the operations at its Mumbai-based Walchandnagar plant were partially impacted by a 43-day labour strike (from 22 November 2023 to 3 January 2024). However, the operations were normalised thereafter. Also, the contractual workers at the Walchandnagar plant were working to their capacity and the Satara and Dharwad plants were running at full capacity. During 1QFY25, WIL reported revenue of INR791.67 million. Ind-Ra expects the revenue to improve gradually in the near-to-medium term on the back of the timely execution of high-value orders from the heavy engineering division (HED) and growth in the plant's capacity, led by purchase of machinery.

**Modest EBITDA Margins; Profitability Improved in FY24:** WIL's EBITDA turned positive at INR13.20 million in FY24, with a margin of 0.44% (FY23: EBITDA loss of INR346 million, FY22: INR221.10 million, EBITDA margin of 7.39%), because of a decline in the cost of goods sold. The ROCE remained negative in FY24 (FY23: negative ROCE, FY22: negative ROCE). Ind-Ra expects the profitability to remain weak in the near term and gradually improve in the medium term owing to a likely improvement in the scale of operations.

**Weak Credit Metrics:** WIL's gross interest coverage (operating adjusted EBITDA/gross interest expense) weakened to 0.03x in FY24 (FY23: 0.17, FY22: 0.31x) due to an increase in interest cost. The net leverage (total adjusted net debt/operating adjusted EBITDA) deteriorated to 40x in FY24 (FY23: 31.7x, FY22: 22.17x) owing to an increase in debt levels. Ind-Ra expects the credit metrics to remain weak in the near-to-medium term.

**Elongated Working Capital Cycle:** WIL's net cash conversion cycle remained elongated in FY24 and deteriorated to 496 days (FY23: 469 days, FY22: 692 days), mainly due to an increase in the inventory days to 494 (407, 581). The projects in pipeline were delayed, leading to higher inventory and debtor period, resulting in a cash flow crisis. However, the company has started receiving pending dues from the Tamil Nadu Electricity Board. Ind-Ra expects the working capital cycle to remain elongated in the near-to-medium term on account of execution of long lead projects in the nuclear and aerospace divisions.

**Issuance of Share Warrants and Capex Plans to Mitigate Delay in Sale of Non-Core Assets:** Out of the total projected sale of non-core assets to the tune INR1,101.40 million by FYE24, WIL could sell assets worth INR534.69 million only. The company expects to sell the remaining assets by FYE25. However, WIL issued 2,17,18,203 share warrants at INR114 per unit amounting to INR2,475.85 million in November 2023; of the total amount, INR315.85 million will be adjusted towards promoters' loan. The anticipated net cash flow is INR2,160 million; of this, the company plans to utilise INR1,050 million towards capex; INR410 million towards repayments of term loan and working capital facility; INR500 million towards working capital requirement and balance INR200 million towards general corporate purposes. Timely exercise of the remaining share warrants is a key monitorable.

WIL has planned capex of INR1,050 million for FY25-FY26, mostly for its aerospace, nuclear and gear divisions; the remaining capex will be utilised for the upgradation of machinery.

**Successful Execution of Standstill Conditions:** 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.

WIL has complied with the conditions imposed by the latter. WIL has to repay the remaining INR370 million along with payment-in-kind loan of INR39.2 million by 31 March 2025. The company has to repay the same through the sale of non-core assets. In case of any shortfall, it expects to use equity infusion resources.

## Liquidity

**Poor:** WIL's average maximum utilisation of the fund-based limits was 94.91% for the 12 months ended July 2024 and the utilisation is likely to have remained at similar levels until October 2024. Its cash and cash equivalent stood at INR55.74 million at FYE24 (FY23: INR17.8 million, FYE22: INR29.40 million; FYE21: INR29.20 million). In FY24, the cash flow from operations turned negative at INR340. million (FY23: INR267.2 million, FY22: negative INR423.10 million) and free cash flow turned negative at INR358 million (INR251.5 million, negative INR454 million), due to unfavourable changes in the working capital. The cash flow from operations remains a key monitorable, considering the FY24 performance. WIL has repayment obligations of INR300 million in FY25, which are likely to be funded through equity infusions and the sale of non-core assets.

## Rating Sensitivities

Not applicable

## About the Company

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.

## Key Financial Indicators

Particulars	FY24	FY23
Revenue (INR million)	3,023.50	3,220.90
EBITDAR (INR million)	13.20	-346.40
EBITDAR margin (%)	0.44	-10.75
Gross interest coverage (x)	0.03	(0.63)
Net leverage (x)	140.00	(8.41)
Source: WIL: Ind-Ra		

## Status of Non-Cooperation with previous rating agency

Not applicable

## Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings	Historical Rating/Outlook			
				20 March 2024	22 September 2023	7 July 2023	14 November 2022
Issuer rating	Long-term		-	-	WD	INDB/Stable	INDB/Stable
Fund-based working capital limit	Long-term/Short-term	INR1,964.1	WD	IND B+/Stable/IND A4	WD	IND B/Stable/IND A4	IND B-/Stable/IND A4
Non-fund-based working capital limit	Short-term	INR4,445.6	WD	IND A4	WD	IND A4	IND A4

## Bank wise Facilities Details

The details are as reported by the issuer as on (08 Nov 2024)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	State Bank of India	Fund Based Working Capital Limit	1200	WD
2	State Bank of India	Non-Fund Based Working Capital Limit	2350	WD
3	Bank of India	Fund Based Working Capital Limit	764.1	WD
4	Bank of India	Non-Fund Based Working Capital Limit	2095.6	WD

## Complexity Level of the 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

### Primary Analyst

Madhurima Ramakrishnan

Senior Research Associate

India Ratings and Research Pvt Ltd

Harmony Square 3rd Floor, Door No. 48 & 50 Prakasam Street T Nagar Chennai - 600017

+91 44 43401713

For queries, please contact: [infogrp@indiaratings.co.in](mailto:infogrp@indiaratings.co.in)

### Secondary Analyst

Mihir Gawade

Analyst

+91 22 40356199

### Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

**About India Ratings and Research:** India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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## **APPLICABLE CRITERIA AND POLICIES**

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**Evaluating Corporate Governance**

**Short-Term Ratings Criteria for Non-Financial Corporates**

**Corporate Rating Methodology**

**The Rating Process**

## **DETAILED FINANCIAL SUMMARY**

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