



SMERA RATINGS LIMITED

Wilson Engineering Industries Private Limited (Wilson)

**Rating
Rationale****October 27, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	11.50	SMERA BB-/Stable (Assigned)
Foreign Letter of Credit	13.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.24.50 crore bank facilities of Wilson Engineering Industries Private Limited (Wilson). The outlook is '**Stable**'. The ratings are constrained by the company's moderate scale of operations and working capital-intensive business. The ratings are also constrained by the susceptibility of the company's profit margins to fluctuations in forex rates. However, the ratings are supported by the company's experienced management and established relations with customers. The ratings are also supported by the company's moderate financial risk profile.

Wilson, established in 1967, is a Kolkata-based company engaged in manufacturing of undercarriage components and road construction equipment. Wilson also undertakes trading of ground engineering tools. The company's operating income has declined from Rs.49.09 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.39.75 crore (provisional) in FY2013-14. Wilson's operations are working capital-intensive on account of high inventory levels and blockage of funds in earnest money deposits maintained with government clients. The company's gross current assets have increased from 225 days in FY2012-13 to 263 days (provisional) in FY2013-14 on account of increase in inventory holding period. Wilson's utilisation of working capital limit is thus high at ~94 per cent during January 2014 to August 2014. The company's profit margins are highly susceptible to forex fluctuation risk inherent in import purchases, which account for ~60 per cent of the total raw material purchases. Wilson incurred forex loss of Rs.0.78 crore (provisional) in FY2013-14.

Wilson benefits from its experienced management. Mr. S. S. Sahay, managing director of Wilson, has around four decades of experience in the construction equipment industry. The company also benefits from its established relations with customers. Wilson's moderate financial risk profile is reflected in debt-equity ratio of 1.14 times (provisional) as on March 31, 2014 and interest coverage ratio of 1.57 times (provisional) in FY2013-14.

Outlook: Stable

SMERA believes Wilson will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and profitability while achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the company's working capital management.

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Rationale**

About the company

Wilson was established as partnership firm in 1967 and converted into a private limited company in 1981. Wilson is engaged in manufacturing of undercarriage components and road construction equipment. The company also undertakes trading of ground engineering tools. Wilson has its registered office in Kolkata. The company has a total of five manufacturing units located in Kolkata, Uttarakhand and Patna.

For FY2013–14 (as per provisional financial statements), Wilson reported profit after tax (PAT) of Rs.0.36 crore on operating income of Rs.39.75 crore, as compared with PAT of Rs.0.45 crore on operating income of Rs.49.09 crore in FY2012–13. The company's net worth stood at Rs.11.18 crore as on March 31, 2014, as compared with Rs.10.82 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Email: antony.jose@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1128 Email: ratingdesk@smera.in

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