

November 04, 2015

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

SMERA has reaffirmed the long term rating of the Rs.13.50 crore bank facility of Wilson Engineering Industries Private Limited (WEIPL) to **SMERA BB- (read as SMERA double B minus)** and upgraded the short term rating of the Rs.13.00 crore bank facility to **'SMERA A4+ (read as SMERA A four plus)** from SMERA A4 (read as SMERA A four). The ratings are supported by the company's experienced management, moderate financial risk profile and established relations with customers. However, the ratings are constrained by the company's moderate scale of operations, working capital intensive nature of business and susceptibility of profit margins to fluctuations in forex rates.

Update

The short term rating has been upgraded from A4 to A4+ due to enhancement in the working capital Limits of WEIPL from Rs.24.50 crore to Rs.29.50 crore. The revenue of WEIPL increased marginally to Rs.40.88 crore in FY2015 from Rs.39.75 crore in FY2014. Profit after tax (PAT) margins increased to 1.2% in FY2015 from 1.14% in FY2014.

However, WEIPL'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 working capital cycle increased from 72 days in FY2014 to 96 days in FY2015. Correspondingly the average utilization of working capital is ~ 95% for the period between April 2015 and September 2015. The financial risk profile of WEIPL is maintained at moderate levels. The net worth stands at Rs.11.64 crore as on March 31, 2015 with an average gearing of 1.31 times for FY2015.

Outlook: Stable

SMERA believes that WEIPL will continue to benefit over the medium term from its experienced management and established business relations with customers and suppliers. The outlook may be revised to 'Positive' if the company's scale of operations increases with efficient management of working capital. Conversely, the outlook may be revised to 'Negative' in case of further stretch in working capital.

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Rating Sensitivity Factors

- Increase in scale of operations with increase in profitability
- Effective management of working capital cycle

About the Company

The Kolkata based-WEIPL, established as a partnership firm in 1967 by Mr. Shyam Sunder Sahay was converted into a private limited company in 1981. The company manufactures undercarriage components and road construction equipments and also trades in ground engineering tools. The manufacturing facilities of the company are located at West Bengal, Uttrakhand and Patna.

For FY2014-15, WEIPL reported profit after tax (PAT) of Rs. 0.53 crore on operating income of Rs.40.88 crore as compared with PAT of Rs.0.45 crore on operating income of Rs.39.75 crore for FY2013-14.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Mr. Anthony Jose, Vice President – Business Development, Mid Corporate Tel : +91-22-6714 1191 Cell : +91 9820802479 Email : anthony.jose@smera.in Web: www.smera.in	Mr. Vinay Chhawchharia Associate Vice President - Corporate Ratings, Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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