

November 19, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan – I	0.40	SMERA B-/Stable (Assigned)
Term Loan – II	0.35	SMERA B-/Stable (Assigned)
Cash Credit	7.00	SMERA B-/Stable (Assigned)
Cash Credit (proposed)	0.50	SMERA B-/Stable (Assigned)
Letter of Credit	1.60	SMERA A4 (Assigned)
Bank Guarantee	0.50	SMERA A4 (Assigned)

SMERA has assigned ratings of **'SMERA B-' (read as SMERA single B minus)** and **SMERA A4 (read as SMERA A four)** to the Rs.10.35 crore bank facilities of The Canara Workshops Limited (TCWL). The outlook is **'Stable'**. The ratings are mainly constrained by the company's weak profit margins, low capacity utilisation levels and small-scale operations. The ratings are also constrained by the company's stretched working capital cycle and moderate financial profile. However, the ratings derive comfort from the company's long track record of operations and experienced management.

TCWL, incorporated in 1943, is a Mangalore-based company engaged in manufacturing of leaf springs and related components used in heavy commercial vehicles, light commercial vehicles, trailers and passenger vehicles. TCWL's operating profit margin (OPBIT margin) declined from ~11.93 per cent in FY2009-10 (refers to financial year, April 01 to March 31) to ~3.54 per cent in FY2013-14. The company's utilisation of installed production facility is low at ~40 per cent in FY2013-14. TCWL's working capital cycle stretched from 97 days in FY2009-10 to 176 days in FY2013-14. The company's moderate financial profile is marked by debt-equity of 1.87 times as on March 31, 2014 and interest coverage ratio of 1.22 times in FY2013-14.

TCWL benefits from its experienced management. Mr. Premnath S. Kudva, director of TCWL, has around three decades of experience in the auto components industry.

Outlook: Stable

SMERA believes TCWL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in scale of operations and profitability. The outlook may be revised to 'Negative' in case the company registers lower-than-expected revenue and profitability, or in case of deterioration in the company's financial profile.

About the company

TCWL, incorporated in 1943, is a Mangalore-based company promoted by Late Mr. Vaman Srinivas Kudva. TCWL manufactures leaf springs and related components used in commercial and passenger vehicles. The company has nine sales depots, three exclusive distributors and ~1,500 dealers across South India and Maharashtra.

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For FY2013–14, TCWL reported net loss of Rs.0.08 crore on operating income of Rs.26.14 crore, as compared with profit after tax (PAT) of Rs.0.79 crore on operating income of Rs.29.95 crore in the previous year. TCWL's net worth stood at Rs.6.30 crore as on March 31, 2014, as compared with Rs.6.39 crore a year earlier.

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