



SMERA RATINGS LIMITED

Calcutta Electrodes Private Limited (CEPL)

Rating
RationaleAugust 13, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-'**(read as **SMERA Double B minus**)to the Rs.6.00 crore bank facilities of Calcutta Electrodes Private Limited (CEPL). The outlook is '**Stable**'.

The rating draws comfort from the company's experienced management and moderate financial risk profile. However, the rating is constrained by the company's modest-scale of operations in an intensely competitive and fragmented industry and susceptibility of margins to raw material price fluctuations. The rating is also constrained by the company's working capital intensive operations.

The ability to manage volatility in raw material prices in an intensely competitive industry and effective working capital management remains the key rating sensitivity.

Outlook: Stable

SMERA believes that CEPL will maintain its stable business risk profile on account of its promoters' industry experience. The outlook may be revised to 'Positive' in case of improvement in its financial risk profile marked by growth in sales and profitability and improvement in working capital cycle. Conversely, the outlook may be revised to negative in case of larger-than-expected debt funded capex or significant decline in revenues and margins.

About the Company

CEPL was incorporated in 1992 under the directorship of Mr. Praveen Kumar Agarwal, Ms. Babita Agarwal, Mr. Ashok Kumar Agarwal and Ms. Anupama Agarwal.

The company is engaged in the manufacture of arc welding electrodes and CO2 MIG welding wires also undertakes trading of welding equipments. CEPL sells its product under the brand names, 'Shiva', 'Superweld' and 'Ferrocord'.

The company reported PAT (profit after tax) of Rs.0.24 crore on operating income of Rs.29.37 crore for FY2013-14, as compared with PAT of Rs.0.22 crore on operating income of Rs.29.21 crore in FY2012-13. The company registered revenues of Rs.31.13 crore (provisional) for FY2014-15. UML's net worth stood at Rs.8.75 crore as on March 31, 2014, as compared with Rs.8.61 crore a year earlier.

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