



SMERA RATINGS LIMITED

Khaitan Winding Wire Private Limited (Khaitan Winding)

*Rating
Rationale*

January 21, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	20.00	SMERA BB+/Stable (Assigned)
Term Loan	0.72	SMERA BB+/Stable (Assigned)
Stand by Line of Credit	2.00	SMERA A4+ (Assigned)
Letter of Credit	8.50	SMERA A4+ (Assigned)
Bank Guarantee	1.50	SMERA A4+ (Assigned)
Forward Cover Limit	0.51	SMERA A4+ (Assigned)

SMERA has assigned a rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.20.72 crore long term bank facilities and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.12.51 crore short term bank facilities of Khaitan Winding Wire Private Limited (Khaitan Winding). The outlook is '**Stable**'. The ratings are supported by the company's established operational track record and experienced management, established relations with customers and suppliers and low gearing. However, the ratings are constrained by the modest scale of operations, moderate coverage indicators and volatility in prices of raw material and finished goods.

Rating Sensitivity Factors

- Improvement in scale of operations and profitability
- Improvement in coverage indicators
- Deterioration in capital structure
- Ability to effectively manage fluctuating copper prices

Outlook: Stable

SMERA believes Khaitan Winding will maintain a stable business profile over the medium term owing to the experienced management. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of high working capital requirements increasing the pressure on margins and capital structure.

About the Company

The Kolkata-based Khaitan Winding, incorporated in 1989 manufactures copper and aluminium wires and strips targeted at original equipment manufacturers (OEM) in India. The company is managed by Mr. Ajit Khaitan.

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For FY2014-15, the company reported profit after tax (PAT) of Rs.0.35 crore on operating income of Rs.84.48 crore as against PAT of Rs.0.88 crore on operating income of Rs.73.76 crore for the previous year. The tangible net worth for FY2014-15 stood at Rs.23.29 crore as against Rs.23.05 crore in the previous year.

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