

Press Release

Khaitan Winding Wire Private Limited (Khaitan Winding)

23 March, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.33.23 Crore
Long Term Rating	SMERA BB+/Stable (Reaffirmed and Withdrawn)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Draft Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.33.23 crore bank facilities of Khaitan Winding Wire Private Limited (Khaitan Winding). The outlook is '**Stable**'. SMERA has also withdrawn the rating of '**SMERA BB+**' (**read as SMERA double B plus**) on the Rs.0.72 crore bank facilities of Khaitan Winding as there are no dues outstanding in the account.

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

List of key rating drivers and their detailed description

Strengths:

Established operational track record and experienced management: Khaitan Winding was promoted by Mr. Ajit Kumar Khaitan and Pradeep Kumar Khaitan who possess over two decades of experience in the electrical equipment industry. The company has been in the aforementioned business since 26 years.

Established relations with customers and suppliers: Khaitan Winding has established relations of over two decades with customers and suppliers.

Comfortable financial risk profile: The company has a comfortable capital structure with gearing (debt to equity ratio) of 0.82 times as on 31 March, 2016 as against 0.75 times as on 31 March, 2015. The total debt of Rs.19.75 crore consists of short term working capital borrowings of Rs.19.15 crore and term loan of Rs.0.61 crore (including CPLTD of Rs.0.44 crore). The term loan has been fully repaid in June 2016. Going ahead, with negligible capex and no long term debt obligation, the financial risk profile is expected to remain comfortable.

The Interest coverage ratio (ICR) stood at 1.79 times in FY2016 as against 1.68 times in FY2015, whereas DSCR stood at 1.13 times in FY2016 as against 1.00 times in FY2015. Going ahead, the coverage indicators are expected to improve with repayment of long term debt and negligible debt funded capex.

Moderate working capital intensity: The company's working capital intensity has been moderate with The operations are working capital intensive as reflected in the gross current asset days of 132 on account of high debtor days of 80 in FY2016.

Weaknesses:

Modest scale of operations: Khaitan Winding reported operating income of Rs.98.20 crore in FY2015-16 as compared to Rs.84.48 crore in FY2014-15. The marginal growth is driven by volumes whereas sales realisations have declined over the last three years. The company registered revenue of Rs.44.49 crore during April – September 2016 as compared to Rs.47.60 crore during the corresponding period last year. As indicated by the management, the company reported revenue of ~Rs.64.76 crore from October 2016 to December 2016.

Profitability is susceptible to volatility in raw material prices: The profitability of the company is vulnerable to fluctuations in the prices of copper rods as well as copper wires.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of Khaitan Winding.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that Khaitan Winding will maintain a Stable outlook over the medium term owing to its 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 higher working capital requirements increasing pressure on margins and capital structure.

About the Rated Entity

The Kolkata-based Khaitan Winding, incorporated in 1989 manufactures copper and aluminium wires and strips targeted at original equipment manufacturers. The company is managed by Mr. Ajit Khaitan. The Khaitan Winding has total installed capacity of 2,870 MT per annum.

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.87 crore on operating income of Rs.99.06 crore as against PAT of Rs.0.35 crore on operating income of Rs.84.48 crore for the previous year. The tangible net worth for FY2014-15 stood at Rs.23.96 crore as against Rs.23.29 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	20.00	SMERA BB+/Stable (Reaffirmed)	21 Jan, 2016	SMERA BB+/Stable (Assigned)	-	-	-	-
Term Loan	LT	0.72	SMERA BB+/Stable (Withdrawn)	21 Jan, 2016	SMERA BB+/Stable (Assigned)	-	-	-	-
Standby Line of Credit	ST	2.00	SMERA A4+ (Reaffirmed)	21 Jan, 2016	SMERA A4+ (Assigned)	-	-	-	-
Letter of Credit	ST	8.50	SMERA A4+ (Reaffirmed)	21 Jan, 2016	SMERA A4+ (Assigned)	-	-	-	-
Bank Guarantee	ST	1.50	SMERA A4+ (Reaffirmed)	21 Jan, 2016	SMERA A4+ (Assigned)	-	-	-	-
Fund based facility (Proposed)	LT	1.23	SMERA BB+/Stable (Assigned)	-	-	-	-	-	-
Forward Cover Limit	-	-	-	21 Jan, 2016	SMERA A4+ (Assigned)	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A.	20.00	SMERA BB+/Stable (Reaffirmed)
Term Loan	N.A	N.A	02 April, 2016	0.00	SMERA BB+/Stable (Withdrawn)
Standby Line of Credit	N.A	N.A	N.A	2.00	SMERA A4+ (Reaffirmed)
Letter of Credit	N.A	N.A	N.A	8.50	SMERA A4+ (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	1.50	SMERA A4+ (Reaffirmed)
Fund based facility (Proposed)	N.A	N.A	N.A	1.23	SMERA BB+/Stable (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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