Press Release

10 March, 2017

R D Weld Products Private Limited

Rating Reaffirmed

Total Bank Facilities Rated *	Rs. 10.75 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

 # Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' **(read as SMERA BB)** on the Rs. 10.75 crore bank acilities of R D Weld Products Private Limited. The outlook is **'Stable'**.

Incorporated in 1997, R.D Weld Products Private Limited (RDWPPL) was promoted by Mr. Manoj Balwani and family. The Maharashtra-based company is engaged in the trading of welding consumables, equipments and cutting accessories.

Key Rating Drivers

Strengths

- **Experienced management**
  The promoter, Mr. Balwani possesses experience of around two decades in the industry.

- **Moderate financial risk profile**
  The financial risk profile of RD Weld is moderate marked by gearing of 1.55 times as on March 31, 2016. The Interest coverage ratio (ICR) stood at 1.67 times in FY2016 while the DSCR stood at 1.50 times in FY2016.

- **Reputed suppliers**
  The company deals with reputed suppliers such as Hyundai Welding, Jasic, D & H Secheron, Royal Arc among others.

Weaknesses

- **Working capital intensive operations**
  The operations of the company are working capital intensive marked by gross current assets days of 212 in FY2016 on account of high inventory days of 133. As informed by the management, the company utilises 86 per cent of its working capital limit.

- **Modest scale of operations**
  Despite long track record of over two decades, the operations continue to remain modest. The revenue growth is moderate with increase from Rs.38.27 cr in FY2014 to Rs.41.42 cr in FY2016. The management expects modest growth in the top line over the medium term.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that RD Weld will maintain a Stable outlook in the medium term and continue to benefit from its long track record of operations and experienced management. The outlook may be revised to Positive if the scale of operations increases substantially while also improving operating profitability. Conversely, the outlook may be revised to Negative if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, RD Weld reported net profit of Rs.0.56 cr on operating income of Rs.41.42 cr, as compared with profit after tax of Rs.0.54 cr on operating income of Rs.38.39 cr in FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Trading Entities - https://www.smera.in/criteria-trading.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument

https://www.smera.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Jan-2016	Cash Credit	Long Term	INR 9.7	SMERA BB / Stable
	Term Loan	Long Term	INR 1.05	SMERA BB / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.05	SMERA BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.70	SMERA BB / Stable

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ABOUT SMERA

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