

Press Release

R. D. Weld products Private Limited

July 24, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

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

Incorporated in 1997, R. D. Weld Products private Limited (RDWP) is promoted by Mr. Manoj Balwani and family. The company is engaged in trading of welding consumables, welding equipment, welding & cutting accessories. The company sells about 70 per cent to Hyundai Welding Co Ltd and has exclusive dealership of these products.

Key Rating Drivers

Strengths

- **Experienced management**

The key Promoter of the company i.e. Mr. Manoj Balwani has been associated in this line of business for past two decades. Over the years he has gained insight about the industry and has developed healthy relations with customers and suppliers. The key suppliers include Jasic, D & H Secheron, Royal Arc, Haridas Instruments & Equipment's and Pradeep Non Destructive Testing amongst others.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by moderate net worth of Rs.9.07 crore in FY2018 (Provisional) as against networth of Rs.8.26 crore in FY2017, moderate gearing of 1.51 times in FY2018 (Provisional) as against a high 1.27 times in FY2017 and moderate interest coverage ratio at 1.64 times in FY2018 (Provisional) as against 1.57 times in FY2017. DSCR stood at 0.95 times in FY2018 (Provisional) as against 1.03 times in FY2017. TOL/TNW stood at 2.55 times in FY2018 (Provisional).

Weaknesses

- **Working capital intensive nature of operations**

The operations of the company are working capital intensive in nature marked by gross current assets days of 236 days in FY2018 (Prov.) as against 235 days in FY2017 on account to high inventory days of 110 days in FY2018(Prov.) as against 124 days in FY2017. The debtor days stood at 92 in FY2018 (Prov.) as against 87 in FY2017.

- **Modest scale of operation**

Despite having prolonged track record of operations of more than two decades the operations of the company continue to remain modest. The company has registered operating revenue of Rs.38.26 crore in FY2018 (Prov.) as compared to Rs.43.69 crore in FY2017.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of RDWP to arrive at this rating.

Outlook: Stable

Acuite believes that RDWP will maintain a 'Stable' outlook in the medium term and continue to benefit from its long track record of operation 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

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	38.26	43.69	41.42
EBITDA	Rs. Cr.	3.18	3.03	2.83
PAT	Rs. Cr.	0.76	0.58	0.56
EBITDA Margin	(%)	8.30	6.93	6.83
PAT Margin	(%)	1.97	1.33	1.35
ROCE	(%)	14.41	14.65	13.48
Total Debt/Tangible Net Worth	Times	1.51	1.27	1.55
PBDIT/Interest	Times	1.64	1.57	1.67
Total Debt/PBDIT	Times	4.08	3.33	4.10
Gross Current Assets (Days)	Days	236	235	212

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-May-2018	Cash Credit	Long Term	9.70	ACUITE BB Issuer not cooperating*
	Term Loan	Long Term	1.05	ACUITE BB Issuer not cooperating*
10-Mar-2017	Cash Credit	Long Term	9.70	ACUITE BB / Stable (Reaffirmed)
	Term Loan	Long Term	1.05	ACUITE BB / Stable (Reaffirmed)
27-Jan-2016	Cash Credit	Long Term	9.70*	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	1.05	ACUITE BB / Stable (Assigned)

*Buyers Credit of Rs. 5.00 crore and Letter of Credit of Rs. 1.00 crore sub limit within Cash Credit

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

*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	ACUITE BB / Stable (Reaffirmed)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.70	ACUITE BB / Stable (Reaffirmed)
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About Acuité Ratings & Research:

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