



SMERA RATINGS LIMITED

Tubas Wire and Conductor Private Limited (Tubas)

*Rating
Rationale*

February 17, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.25	SMERA B/Stable (Assigned)
Letter of Credit	2.00	SMERA A4 (Assigned)

SMERA has assigned a long term rating of '**SMERA B**' (read as **SMERA B**) to the Rs.4.25 crore long term bank facility and '**SMERA A4**' (read as **SMERA A four**) to the Rs.2.00 crore short term bank facility of Tubas Wire and Conductor Private Limited (Tubas). The outlook is '**Stable**'. The ratings are constrained by the company's low profitability, declining revenue trend, below-average financial risk profile marked by high gearing and low coverage indicators. The ratings are also constrained by the working capital intensive business operations. However, the ratings draw comfort from the established operational track record of the company and experienced management.

Rating Sensitivity Factors

- Improvement in revenues and profitability
- Improvement in capital structure
- Efficient working capital management

Outlook: Stable

SMERA believes Tubas will maintain a stable business profile over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if 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 decline in profitability or deterioration in the working capital cycle. Additionally, high working capital requirements leading to pressure on margins and capital structure may also result in a 'Negative' outlook.

About the Company

Tubas, incorporated in 1989, is a Mumbai-based company engaged in the manufacture of aluminium conductors, wires, strips among others. The manufacturing unit of the company is located at Daman (UT).

For FY2014-15, Tubas reported profit after tax (PAT) of Rs.(0.06) crore on operating income of Rs.22.45 crore as against PAT of Rs.0.18 crore on operating income of Rs.27.78 crore in FY2013-14. The tangible net worth stood at Rs.3.14 crore in FY2014-15 against Rs.3.25 crore in the previous year.

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