

Wirecom (India) Private Limited: Assigned

Name of the Instruments	Amount (Rs Crore)	Rating/Outlook
Cash Credit	2.60	SMERA BB/Stable (Assigned)
Term Loan	5.46	SMERA BB/Stable (Assigned)
Facility (Proposed)	1.94	SMERA BB/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB**' (read as **SMERA double B**) to the above mentioned bank facilities of Wirecom (India) Private Limited (WIPL). The outlook is '**Stable**'. The rating derives strength from the experienced management and long track record of operations. The rating also draws support from the healthy profitability and diversified customer base. However, the rating is constrained by the moderate financial risk profile and small scale of operations.

WIPL, incorporated in 1996 is headed by Mr. Bharat Shah, Mrs. Jyoti Shah and Mr. Pratik Shah, Directors, who possess over three decades of experience in the spring manufacturing business. The company has healthy operating profit margins of 18.48 per cent, 16.70 per cent and 19.81 per cent in FY2015, FY2014 and FY2013 respectively.

The financial risk profile is moderate marked by gearing of 1.94 times as on March 31, 2015. The interest coverage ratio (ICR) stood at 3.18 times while the debt service coverage ratio (DSCR) was at 1.27 times in FY2015.

WIPL has stretched liquidity position marked by high debtor days. Also, the average utilisation of the working capital limit is high at ~92 per cent for cash credit (for seven months ended March, 2016).

However, the rating is constrained by the modest scale of operations due to low product value. In FY2015, the company registered revenues of Rs.12.50 crore as against Rs.11.23 crore in FY2014 and Rs.9.35 crore in FY2013. Going forward, SMERA believes the turnover will gradually increase on account of new manufacturing unit being operational at Pune.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Deterioration in the financial risk profile
- Efficient working capital management

Outlook-Stable

SMERA believes that WIPL's outlook will remain stable owing to the promoters experience in the same line of business. The outlook may be revised to 'Positive' if the scale of operations increases substantially while maintaining operating profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of operating margins or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

WIPL, incorporated in 1996, is engaged in the manufacture of springs, wire forms and sheet metal components. The company operates through its three manufacturing facilities at Andheri (Mumbai), Vasai (Thane) and Chakan (Pune).

For FY2014–15, the company reported profit after tax (PAT) of Rs.0.68 crore on operating income of Rs.12.50 crore, as compared with net profit of Rs.0.60 crore on operating income of Rs.11.23 crore in FY2013–14. The net worth stood at Rs.4.17 crore as on March 31, 2015 as compared with Rs.3.47 crore, a year earlier.

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ABOUT SMERA

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