



Press Release

Wirecom India Private Limited

October 25, 2018

Rating Reaffirmed

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 13.00 Cr. |
| Long Term Rating | ACUITE BB / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) to the Rs. 13.00 crore bank facilities of WIRECOM INDIA PRIVATE LIMITED (WIPL). The outlook is '**Stable**'.

WIPL was established in 1996 by Mr. Bharat Shah and Mrs. Jyoti Shah. It is engaged in manufacturing of springs, wire forms and sheet metal components. It manufactures 8000 to 10,000 different types of springs. The company operated through its three manufacturing facilities at Vasai East and Andheri East in Mumbai and Chakan in Pune.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

Mr. Bharat Shah has an experience of more than two decades in the same line of business. The promoter's extensive experience is also reflected through the healthy revenue growth over the last 3 years through 2017-18. The company's revenue grew at a CAGR of 6.00 percent to Rs.16.72 crore over the aforementioned period. Further, the management of the company over the years has built a healthy relationship with major customers such as Schneider Electric India Private Limited, Anchor Electricals Private Limited, Larsen & Tubro Limited to name a few. Acuité believes that the company will continue to benefit over the medium term through the promoter's extensive industry experience and established relations with its customers.

- **Moderate financial risk profile**

The financial risk profile is marked by moderate net worth, gearing and debt protection measures. The net worth stood at around Rs.7.43 crore as on 31 March, 2018 as against Rs.6.24 crore as on 31 March, 2017. The company has followed a moderate financial policy as reflected by peak gearing of 2.05 times over the last three years through FY2017-18. The gearing of the company stood at 1.41 times as on March 31, 2018 as against 1.57 times as on March 31, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.81 times as on 31 March, 2018 as against 2.05 times as on 31 March, 2017. The total debt of Rs.10.49 crore consists of long term debt of Rs.4.17 crore, unsecured loans from directors of Rs.1.78 crore and Rs.4.53 crore of short term debt obligations. The moderate revenue growth coupled with moderate profitability levels have resulted in moderate debt protection measures. The profitability margins of the company have remained fairly stable over the past three years with the operating margin ranging between 21.00 to 21.90 percent through FY2018. Interest Coverage Ratio (ICR) remained moderate at 3.50 times in FY2018 and 2.61 times in FY2017. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.20 times as on 31 March, 2018 as against 0.17 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.33 times in FY2018 as against 1.02 times in FY2017. Acuité believes that the financial risk profile of WIPL will continue to remain moderate over the medium term on account of its improving scale of operations and moderate financial policy.

Weaknesses

- **Working capital intensive nature of operations**

The working capital management is marked by Gross Current Assets (GCA) of 154 days in FY2018 as against 166 days in FY2017. The company maintains inventory of around 30 days on an average and extends clean credit of around 90 days to its customers, resulting in high GCA levels. The inventory and debtor levels stood at 29 days and 122 days in FY2018 as against 57 days and 87 days in FY2017, respectively. As a result, the average utilisation of bank limits stood at ~80 percent in the last six months. Acuité believes that the working capital requirements will continue to remain moderate over the medium term as evident from its moderate inventory requirements and moderate collection mechanism.

- **Susceptibility to volatility in raw material prices**

The company purchases steel and its prices are highly volatile in nature. Hence, the margins of the company are susceptible to volatility in raw material prices on account of its inability to pass on the increase in the price to its customers. Further, the company has to maintain adequate inventory in order to cater to the immediate demands of its customers. Hence, adverse fluctuations in metal prices can directly affect revenue.

- **Highly competitive industry**

WIPL operate in a highly competitive steel products industry with much pressure on capacity utilisation and pricing power. Besides, WIPL faces competition from other organised and unorganised players in the industry.

Outlook: Stable

Acuité believes that the outlook on WIPL's rated facilities will remain 'Stable' over the medium term on account of its promoter's experience and moderate financial risk profile. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 16.72 | 15.18 | 13.83 |
| EBITDA | Rs. Cr. | 3.61 | 3.32 | 2.98 |
| PAT | Rs. Cr. | 1.19 | 0.90 | 0.67 |
| EBITDA Margin | (%) | 21.60 | 21.90 | 21.57 |
| PAT Margin | (%) | 7.12 | 5.90 | 4.85 |
| ROCE | (%) | 16.00 | 16.53 | 29.09 |
| Total Debt/Tangible Net Worth | Times | 1.41 | 1.57 | 2.05 |
| PBDIT/Interest | Times | 3.50 | 2.61 | 2.53 |
| Total Debt/PBDIT | Times | 2.86 | 2.93 | 3.34 |
| Gross Current Assets (Days) | Days | 154 | 166 | 148 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---|-----------|------------------|-------------------------------|
| 19-Sep-2017 | Cash Credit | Long Term | 2.60 | ACUITE BB (Indicative) |
| | Term Loan | Long Term | 0.13 | ACUITE BB (Indicative) |
| | Term Loan | Long Term | 0.07 | ACUITE BB (Indicative) |
| | Term Loan | Long Term | 3.38 | ACUITE BB (Indicative) |
| | Term Loan | Long Term | 1.88 | ACUITE BB (Indicative) |
| | Proposed Working Capital Term Loan | Long Term | 1.94 | ACUITE BB (Indicative) |
| 16-Jun-2016 | Cash Credit | Long Term | 2.60 | ACUITE BB / Stable (Assigned) |
| | Term Loan | Long Term | 5.46 | ACUITE BB / Stable (Assigned) |
| | Proposed Working Capital Demand Loan | Long Term | 1.94 | ACUITE BB / Stable (Assigned) |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|-------------------------|------------------|----------------|----------------|------------------------------|--------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 3.20 (enhanced from 2.60) | ACUITE BB /Stable (Reaffirmed) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 3.50 | ACUITE BB /Stable (Reaffirmed) |
| Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | 1.50 | ACUITE BB /Stable (Assigned) |
| Proposed Long Term Loan | Not Applicable | Not Applicable | Not Applicable | 4.80 | ACUITE BB /Stable (Assigned) |

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About Acuité Ratings & Research:

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