



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

Acuite 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

Acuite 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. Acuite 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. Acuite 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. Acuite 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

Acuite 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)

Contacts

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About Acuité Ratings & Research:

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