

Press Release

Wirecom (India) Private Limited

August 27, 2019

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 the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 13.00 crore bank facilities of Wirecom India Private Limited (WIPL). The outlook is '**Stable**'.

Wirecom (India) Private Limited (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 and established track record of operations**

WIPL has established market for its products, since 1996. The key promoter, 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 last 3 years through 2017-19. The company's revenue grew at a CAGR of 9.80 per cent to Rs. 20.09 crore in FY2019 as against Rs.16.72 crore in FY2018. The company is well supported by second line of management. Further, the management of the company over the years has built a healthy relationship with its customers and suppliers. 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.

- **Reputed clientele and diversified product range**

WIPL has more than 8000 to 10,000 different types of springs to cater to the need of different industries such as Electrical and Switchgear Industries, Textile Industries, Oil Seals, Hardware, Furniture & Locks and Automobile to name a few. The company also caters to reputed customers from different industries, which includes Schneider Electric India Private Limited, Anchor Electricals Private Limited, Larsen & Tubro Limited and Godrej to name a few.

- **Moderate financial risk profile**

The financial risk profile of WIPL is marked by moderate net worth, gearing and debt protection measures. The net worth stood at around Rs. 11.79 crore as on 31 March, 2019 as against Rs. 9.22 crore as on 31 March, 2018. The net worth includes unsecured loans of Rs. 2.67 crores as on 31 March, 2019 and Rs.1.78 crore as on 31 March, 2018. The company has followed a moderate financial policy as reflected by peak gearing of 1.00 times over the last three years through FY2017-19. The gearing of the company stood at 0.69 times as on March 31, 2019 as against 0.94 times as on March 31, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.96 times as on 31 March, 2019 as against 1.26 times as on 31 March, 2018. Interest Coverage Ratio (ICR) remained moderate at 3.40 times in FY2019 and 3.50 times in FY2018. The moderate revenue growth coupled with moderate profitability levels have resulted in moderate debt protection measures. However, operating profitability margins of the company have declined to 18.68 per cent in FY2019 as against 21.60 per cent in FY2018. Debt Service Coverage Ratio (DSCR) stood low at 1.15 times in FY2019 as against 1.33 times in FY2018.

Weaknesses

• Working capital intensive nature of operations

The working capital management is marked by Gross Current Assets (GCA) of 148 days in FY2019 as against 154 days in FY2018. The company maintains inventory of around 40 to 45 days on an average and extends clean credit of around 60 to 90 days to its customers, resulting in high GCA levels. The inventory and debtor levels stood at 49 days and 93 days in FY2019 as against 29 days and 122 days in FY2018, respectively. As a result, the average utilisation of bank limits stood at ~80 per cent in the last six months ending July 2019. 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 the 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.

Liquidity Position:

Liquidity profile of WIPL is adequate marked by adequate accruals to repayment obligations though limits are moderately utilised. WIPL has reported cash accruals of Rs. 2.30 crore in FY2019 as against repayment obligation of Rs. 0.57 crore to 0.60 crore. It is expected to generate cash accruals in the range of Rs.2.50 crore – 3.50 crore during FY20-22 against, which its repayment obligations are about Rs.0.60 crore - 0.90 crore during the same period. Its working capital limits are highly utilised at about 80 per cent for the last six months ending July 2019. The current ratio stood low at 1.16 times in FY2019 as against 0.84 times in FY2018 and 0.98 times in FY2017. Acuite believes that though cash accruals are adequate, however, working capital intensive operations continue to constrain the liquidity.

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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	20.09	16.72	15.18
EBITDA	Rs. Cr.	3.75	3.61	3.32
PAT	Rs. Cr.	1.23	1.19	0.90
EBITDA Margin	(%)	18.68	21.60	21.90
PAT Margin	(%)	6.14	7.12	5.90
ROCE	(%)	14.65	16.00	16.53
Total Debt/Tangible Net Worth	Times	0.69	0.94	1.00
PBDIT/Interest	Times	3.40	3.50	2.61
Total Debt/PBDIT	Times	2.07	2.38	2.40
Gross Current Assets (Days)	Days	148	154	166

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

Not Applicable

Any other information

Not Any

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
25-Oct-2018	Term Loan	Long Term	3.50	ACUITE BB / Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	4.80	ACUITE BB / Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	1.50	ACUITE BB / Stable (Reaffirmed)
	Cash Credit	Long Term	3.20	ACUITE BB / Stable (Reaffirmed)
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-June-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	4.40	ACUITE BB/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	6.51	ACUITE BB/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.09	ACUITE BB/Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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