

Press Release

Wud Tools (WT)

15 June, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.50 Cr
Long Term Rating	SMERA B+/Stable

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.9.50 cr bank facilities of Wud Tools (WT). The outlook is '**Stable**'.

Wud Tools (WT) a Mumbai-based firm, is engaged in the manufacture of cutting tools and blades.

List of key rating drivers and their detailed description

Strengths

Extensive experience of the partners: The firm was established in 1965 by Mr. Lokendra Sheth and later Mr. Chaitanya Sheth joined the business. The Sheth family has been in the business for over four decades which has helped in developing long term relations with customers and suppliers.

Diversified clientele: While initially WT catered only to the wood industry, from FY2013 the firm began to cater to paper, tyre, asbestos, packaging industries. Some of its reputed clients include Century Plywood, MRF Limited, TVS Srichakra Limited, Apollo Tyres Limited, Ceat Limited, Hindustan Pencils Private Limited etc.

Weaknesses

Modest scale of operations: The firm has modest scale of operations with revenues of around Rs.20.87 crore in FY2016 as against Rs.15.53 crore in FY2015. Further, in FY2017 (Provisional), the firm earned revenue of ~Rs.24.60 crore.

Below average financial risk profile: The firm has below average financial risk profile marked by low networth of Rs. 6.55 crore as on 31 March, 2016 which declined from Rs.7.13 crore as on 31 March 31, 2015 mainly on account of withdrawal by the partners. Further, the gearing is high at around 1.92 times as on 31 March, 2016 which deteriorated from 1.33 times as on 31 March, 2015 due to increase in debt utilisation. The Interest coverage ratio stood low at 1.34 times in FY2016. Further, the firm has debt funded capex plan which is likely to keep the gearing at high levels in medium term.

Working capital intensive operations: The Gross Current Asset stood high at around 376 days mainly on account of high debtors of 149 days and high inventory holding of 220 days in FY2016. The debtors and inventory are likely to remain high owing to the intense competition in the cutting tool industry. The average cash credit utilisation stood high at ~97 per cent during August, 2016 to January, 2017.

SMERA believes that the efficient working capital management will be crucial to maintain a stable credit profile for WT.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the firm.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios & Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that WT will maintain a stable outlook over the medium term owing to the extensive experience of its partners in the cutting tool industry. The outlook may be revised to 'Positive' if the firm achieves significant and sustainable improvement in revenues while maintaining profitability and improving the capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in accruals or further elongation in its working capital cycle thereby further weakening its financial risk profile.

About the Rated Entity

Wud Tools (WT) is a partnership firm established in 1965. The firm is engaged in the manufacturing of cutting tools and blades like bias cutters, disc knives, Auto Skiver Knives/ Tread Cutters, among others. The firm is led by Mr. Lokendra Sheth and Mr. Chaitanya Sheth, partners. The manufacturing facility is located at Latur (Maharashtra).

For FY2015-16, WT reported profit after tax (PAT) of Rs.0.36 crore on operating income of Rs.20.87 crore, as compared to PAT of Rs.0.31 crore on operating income of Rs.15.53 crore in FY2014-15. As per provisional figures, the firm earned revenue of Rs.24.60 crore in FY2017.

Status of non-cooperation with previous CRA (if applicable): CRISIL Ratings in the press release dated October 12, 2015 has suspended the rating of Wud Tools and has stated the following “The suspension of ratings is on account of non-cooperation by WT with CRISIL's efforts to undertake a review of the ratings outstanding.”

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Cr)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	0.50**	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Cash Credit	LT	9.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-

***not yet disbursed*

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	NA	NA	NA	0.50**	SMERA B+/Stable (Assigned)
Cash Credit	NA	NA	NA	9.00	SMERA B+/Stable (Assigned)

***not yet disbursed*

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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