

## Press Release

### Uttam Tools

April 18, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	SMERA BB-/ Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-' (read as SMERA double B minus)** on the Rs. 10.00 crore bank facilities of Uttam Tools. The outlook is '**Stable**'.

Uttam Tools (UT), is a Pune-based proprietorship concern established in 1997 by Mr. Uttam Telge. The firm manufactures cutting tools and caters mainly to the automobile industry.

#### **Key rating drivers**

#### **Strengths**

##### **Established track record of operations and experienced proprietor**

UT is engaged in the manufacturing of the aforementioned since 1997. The firm benefits from the extensive experience of the proprietor, Mr. Uttam Telge who possesses experience of more than three decades in the industry.

#### **Weaknesses**

##### **Small scale of operations**

The scale of operations is relatively small as evident from the operating income of Rs.11.67 crore for FY2016-17 compared to Rs.9.17 crore in the previous year. UT reported revenue of around Rs.14.50 crore for the period April, 2017 to February, 2018 (Provisional).

##### **Below average financial risk profile**

The financial risk profile is below average marked by low networth, high gearing and modest debt protection measures. The networth levels stood at Rs.2.05 crore as on 31 March, 2017 as against Rs.1.99 as on 31 March, 2016. The gearing levels stood at 3.29 times as on 31 March, 2017 as against 2.80 times in the previous year. The total debt of Rs.6.74 crore includes term loan of Rs.3.99 crore from the bank, unsecured loan of Rs.0.07 crore and working capital funds of Rs.2.69 crore. The Interest Coverage Ratio (ICR) stood at 2.64 times as on 31 March, 2017 as against 2.61 times as on 31 March, 2016. The Debt Service Coverage Ratio (DSCR) stood at 1.13 times as on 31 March, 2017 compared to 1.12 times as on 31 March, 2016. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.22 times as on 31 March, 2017 as against 0.23 times as on 31 March, 2016.

**Working capital intensive operations**

The working capital intensive operations are marked by Gross Current Asset (GCA) days of 226 in FY2017 and 238 in FY2016 on account of stretched debtor days of 172 in FY2017 and 165 in FY2016.

**Analytical approach:**

SMERA has considered the standalone business and financial risk profiles of Uttam Tools to arrive at the rating.

**Outlook – Stable**

SMERA believes that UT's outlook will remain 'Stable' and the firm will benefit over the medium term from its experienced proprietor. The outlook may be revised to 'Positive' in case of higher than expected growth in revenue and profitability while improving the working capital cycle and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability, higher than envisaged debt funded capex or working capital requirements deteriorating the financial risk profile and liquidity position.

**About the Rated Entity - Key Financials**

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	11.67	9.17	7.85
EBITDA	Rs. Cr.	2.35	2.01	1.88
PAT	Rs. Cr.	0.86	0.69	0.36
EBITDA Margin	(%)	20.15	21.90	23.98
PAT Margin	(%)	7.41	7.48	4.65
ROCE	(%)	21.71	19.00	31.96
Total Debt/Tangible Net Worth	Times	3.29	2.80	3.03
PBDIT/Interest	Times	2.64	2.61	2.14
Total Debt/PBDIT	Times	2.80	2.73	3.09
Gross Current Assets (Days)	Days	226	238	291

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

None

**Any other information:**

Not Applicable

**Applicable Criteria**

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

**Note on complexity levels of the rated instrument**

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

**Rating History (Upto last three years)**

Not Applicable

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.20	SMERA BB-/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.42	SMERA BB-/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.97	SMERA BB-/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.01	SMERA BB-/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.08	SMERA BB-/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.51	SMERA BB-/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.17	SMERA BB-/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.18	SMERA BB-/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.03	SMERA BB-/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.03	SMERA BB-/ Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.40	SMERA BB-/ Stable (Assigned)

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## ABOUT SMERA

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