

Press Release

Uttam Tools

April 18, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	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)

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Aishwarya Phalke, Rating Analyst, Tel: +91-22-6714 1156 Email: aishwarya.phalke@smera.in	

ABOUT SMERA

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