

## Press Release

### R. D. Weld products Private Limited

October 01, 2019

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 10.75 Cr.
<b>Long Term Rating</b>	ACUITE BB / Stable (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 10.75 crore bank facilities of R. D. WELD PRODUCTS PRIVATE LIMITED. The outlook is '**Stable**'.

Incorporated in 1997, R.D Weld Products Private Limited (RDWPPL) is engaged in trading of welding consumables, welding equipment, welding & cutting accessories. The company is promoted by Mr. Manoj Balwani and family. The company trades about 70 per cent of Hyundai Welding Co. Ltd. and has exclusive dealership of these products.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of RDWPPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management and long track record of operation**

The company has a long track record of over past two decades in the trading business. The key promoter of the company, Mr. Manoj Balwani, has been associated with similar line of business since past two decades. Acuite believes that the promoter's extensive experience has helped the company to establish long-term relationship with customers and suppliers.

- **Moderate financial risk profile**

The company's financial risk profile is average marked by modest net worth, gearing and debt protection metrics. The net worth of the company stood at Rs. 7.53 crore as on 31 March, 2019 (Provisional) as against Rs. 6.90 crore in the previous year. The gearing stood at 1.90 times as on 31 March, 2019 (Provisional) as against 2.19 times in FY2018. Total debt of Rs.14.29 crore consists of Rs.3.21 crore of long term borrowings, unsecured loan of Rs.1.73 crore and short term borrowings of Rs.9.35 crore. TOL/TNW stood at 3.70 times in FY2019 (Provisional). Moreover, the debt protection metrics is modest marked by interest coverage ratio (ICR) of 1.62 times in FY2019 (Provisional) and debt service coverage ratio (DSCR) of 1.30 times as on March 31, 2019(Provisional).

#### Weaknesses

- **Working capital intensive nature of operation**

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 235 days in FY2019 (Provisional) as against 217 days in FY2018. High GCA days is mainly on account of rise in inventory days to 106 days in FY2019 (Provisional) from 94 days in FY2018. The company maintains significant stock of finished goods in order to meet customer demand on time. The debtor days stood at 86 days for FY2019 (Provisional) as against 92 days for FY2018. Acuite believes that the company's working capital intensity is likely to remain in the medium term.

- **Modest scale of operations**

The company has a modest scale with operating revenue of Rs.42.29 crore in FY2019 (Provisional) as compared to Rs. 39.99 crore in FY2018. Further, the company has achieved revenues of Rs. 21.70 crore till Aug, 2020 (Provisional). Thus, Acuite believes that the company's ability to further improve its operations will be a key rating sensitivity.

### Rating Sensitivity

- The company's ability to improve its scale of operation and manage its working capital efficiently are key rating sensitivities.

### Material Covenants

None

### Liquidity Profile

RDWPPL has adequate liquidity position marked by moderate net cash accruals to its maturing debt obligations. The net cash accruals stood at Rs.0.90 crore in FY2019 (Provisional) to pay off its long term debt obligations of Rs.0.27 crore over the same period. Moreover, the company has working capital intensive nature of operations marked by gross current asset (GCA) days of 235 in FY 2019 (Provisional). The current ratio of RDWPPL stood at 1.23 times as on March 31, 2019 (Provisional) and the cash credit limit of the company remains utilised at 97 per cent during the last six months ended on July, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term.

### Outlook: Stable

Acuite believes that the company will maintain a 'Stable' outlook in the medium term and continue to benefit from its long track record of operation and experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while also improving operating profitability. Conversely, the outlook may be revised to 'Negative' if the company 'Negative' in case of lower-than-expected revenues or deterioration in financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	42.29	39.99	43.69
EBITDA	Rs. Cr.	3.05	3.07	3.03
PAT	Rs. Cr.	0.63	0.64	0.58
EBITDA Margin	(%)	7.22	7.68	6.93
PAT Margin	(%)	1.50	1.60	1.33
ROCE	(%)	12.23	13.91	14.65
Total Debt/Tangible Net Worth	Times	1.90	2.19	1.27
PBDIT/Interest	Times	1.62	1.54	1.57
Total Debt/PBDIT	Times	4.79	4.74	3.33
Gross Current Assets (Days)	Days	235	217	235

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
24-July -2018	Cash Credit	Long Term	9.70	ACUITE BB / Stable (Reaffirmed)
	Term Loan	Long Term	1.05	ACUITE BB / Stable (Reaffirmed)
08- May- 2018	Cash Credit	Long Term	9.70	ACUITE BB / Stable (Issuer not cooperating)
	Term Loan	Long Term	1.05	ACUITE BB / Stable (Issuer not cooperating)
10- March- 2017	Cash Credit	Long Term	9.70	ACUITE BB / Stable (Reaffirmed)
	Term Loan	Long Term	1.05	ACUITE BB / Stable (Reaffirmed)

### \*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	9.70	ACUITE BB / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.05	ACUITE BB / Stable (Reaffirmed)

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### About Acuite Ratings & Research:

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