

Press Release

R. D. Weld Products Private Limited

July 22, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.75	ACUITE BB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	10.75	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 10.75 Cr bank facilities of R D Weld Products Private limited (RDWPPL). The outlook is '**Stable**'.

Rationale for Rating

The rating takes into account the extensive experience of promoters, long track record of operations and their established relations with customers and suppliers. The rating also takes into account the increase in scale of operations in FY2022 to Rs.54.41 crores from Rs.32.92 crores in FY2021. However, the rating remains constrained by working capital intensive nature of operations and competitive nature of the industry.

About the Company

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. products and has exclusive dealership of these products. The company is currently Located in Mumbai.

Analytical Approach

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

Key Rating Drivers

Strengths

>Extensive experience of promoters in in the welding consumables industry

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. The extensive experience of the promoter supported by experience has enabled the firm to forge healthy relationships with customers for repeated business. The established vintage supported the company in expanding the supplier base

over the years to cover the industry majors like Hyundai Welding Co.Ltd, D & H Sechron Electrodes Pvt.Ltd, Shenzhen Jasic Technology Co.Ltd, Changzhou Aozhong Special Welding Wire Co. Ltd among others.

Acuité believes that RDWPPL's longstanding presence and relationship with reputed suppliers are expected to support in improving the business risk profile over the medium term.

>Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by modest net worth, moderate gearing and debt protection metrics. The tangible net worth stood at Rs.9.72 crore as on 31 March 2022 (Prov) as against Rs.8.39 crore as on 31 March, 2021 and Rs.8.08 crore as on 31 March, 2020. The total debt of the company stood at Rs.13.44 crore includes Rs.4.39 crore of long-term debt, Rs.7.77 crore of short-term debt, Rs.0.72 crore of unsecured loans and Rs.0.55 crore of CPLTD as on 31 March, 2022 (Prov). The gearing (debt-equity) stood at 1.38 times as on 31 March 2022 (Prov) as compared to 1.25 times as on 31 March, 2021 and 0.75 times as on 31 March, 2020. Interest Coverage Ratio stood at 1.80 times for FY2022 (Prov) as against 1.53 times for FY2021 and 1.43 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 0.57 times in FY2022 (Prov) as against 1.35 times in FY2021 and 1.33 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.81 times as on 31 March, 2022 (Prov) and 2021 as against 2.86 times as on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.10 times for FY2022 (Prov).

Acuité believes that with modest cash accruals and absence of any significant debt-funded capital expenditure plans, the financial risk profile is expected to be at similar levels over the medium term.

Weaknesses

>Working capital intensive nature of operations

The working capital management of the company is intensive marked by GCA days of 205 days in FY2022 (Prov) as against 272 days in FY2021 and 210 days in FY2020. The debtor days stood at 103 days in FY2022 (Prov) as against 101 days in FY2021. The average credit period allowed to customers is around 80-90 days. However, the creditor days stood at 94 days in FY2022 (Prov) as against 163 days in FY2021. The average credit period allowed by suppliers is around 90-120 days. Also, the inventory days stood at 105 days in FY2022 (Prov) as against 144 days in FY2021.

Acuité believes that with the nature of the product and business operations, the operations continue to be working capital intensive over the medium term.

>Intense competition in fragmented industry

The welding consumables industry is highly fragmented due to the presence of a large number of organised and unorganised players. Dealers generally faces a stiff competition from the other dealers in the market. Due to high competitive nature of industry, profitability margins are thin.

Acuité believes that RDWPPL's scale will improve over the medium term with improving demand.

Rating Sensitivities

- Ability of the Firm to improve its scale of operations without deteriorating its operating margins.
- Improvement in capital structure.

Material covenants

None.

Liquidity Position: Adequate

The company's liquidity position is adequate as the average bank limit utilization for the past 06 months May 2022 is ~ 81.63 percent. Going forward, the company is expected to generate a sufficient net cash accrual in the range of Rs.2.10-3.56 crores against the maturing repayment obligations of around Rs.0.58-1.70 crore over the medium term. However, the company has generated insufficient net cash accruals against its maturing debt obligations

for FY20-22. In which, the company has generated net cash accruals in the range of Rs.0.75-Rs.1.32 Crore from FY 2020- 2022 against its maturing debt obligations in the range of Rs.0.13-Rs.3.51 crore in the same tenure. The working capital management of the company is intensive marked by GCA days of 205 days in FY2022 (Prov) as against 272 days in FY2021. The company maintains unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2022 (Prov). The current ratio stands at 1.45 times as on March 31, 2022 (Prov).

Acuité believes that the liquidity of the Firm is likely to remain adequate over the medium term on account of sufficient net cash accruals against debt repayments.

Outlook: Stable

Acuité believes that the outlook on RDWPPL will remain 'Stable' over the medium term on account of its experienced management and reputed clientele. The outlook may be revised to 'Positive' if the company achieves better than expected growth in its revenues while maintaining its profitability margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	54.41	32.92
PAT	Rs. Cr.	1.32	0.35
PAT Margin	(%)	2.42	1.05
Total Debt/Tangible Net Worth	Times	1.38	1.25
PBDIT/Interest	Times	1.80	1.53

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-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Apr 2021	Cash Credit	Long Term	9.70	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	1.05	ACUITE BB Stable (Reaffirmed)
01 Oct 2019	Cash Credit	Long Term	9.70	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	1.05	ACUITE BB Stable (Reaffirmed)
24 Jul 2018	Term Loan	Long Term	1.05	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	9.70	ACUITE BB Stable (Reaffirmed)

08 May 2018	Cash Credit	Long Term	9.70	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	1.05	ACUITE BB (Issuer not co-operating*)
10 Mar 2017	Cash Credit	Long Term	9.70	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	1.05	ACUITE BB Stable (Reaffirmed)
27 Jan 2016	Cash Credit	Long Term	9.70	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	1.05	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.70	ACUITE BB Stable Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	1.05	ACUITE BB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Siddharth Shah Analyst-Rating Operations Tel: 022-49294065 siddharth.shah@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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