

Press Release

R. D. Weld Products Private Limited

March 03, 2023



Rating Reaffirmed & Withdrawn

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Bank Loan Ratings	10.75	ACUITE BB Reaffirmed & Withdrawn	-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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.10.75 Cr.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. The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

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. Limited. products and has exclusive dealership of these products. The company is currently Located in Mumbai. Directors of R D WELD PRODUCTS PRIVATE LIMITED are Mr Manoj Radhakishan Balwani, Mr Akshay Manoj Balwani and Ms Rashmi Manoj Balwani.

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. Acuite 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, low gearing, and comfortable debt protection metrics. The tangible net worth stood at Rs.9.02 crore as on 31 March 2022 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.8.78 crore includes Rs.2.29 crore of long-term debt, Rs.2.59 crore of short-term debt, Rs.0.74 crore of unsecured loans and Rs.3.15 crore of CPLTD as on 31 March, 2022. The gearing (debt-equity) stood at 0.97 times as on 31 March 2022 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 1.54 times for FY2022 as against 1.53 times for FY2021 and 1.43 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 0.56 times in FY2022 as against 1.35 times in FY2021 and 1.33 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.73 times as on 31 March, 2022 as against 2.81 times as on 31 March, 2021 as against 2.86 times as on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.11 times for FY2022.

Weaknesses

> Intensive Working capital management

The working capital management of the company is intensive though improved substantially marked by GCA days of 172 days in FY2022 as against 272 days in FY2021 and 210 days in FY2020. The debtor days stood at 72 days in FY2022 as against 101 days in FY2021. The average credit period allowed to customers is around 80-90 days. However, the creditor days stood at 113 days in FY2022 as against 163 days in FY2021. The average credit period allowed by suppliers is around 90-120 days. Also, the inventory days stood at 106 days in FY2022 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 company to improve its scale of operations without deteriorating its operating margins.

>Improvement in capital structure.

Material covenants

None

Liquidity Position

Stretched

The company's liquidity profile is stretched marked by low net cash accruals of Rs.0.99 Cr in FY2022 against its maturing debt obligation of Rs.3.15 Cr in the same period. The firm maintains unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2022. The current ratio of the company stood moderate at 1.28 times as on March 31, 2022 as against 1.44 times as on March 31, 2021.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	54.42	32.92
PAT	Rs. Cr.	0.62	0.35
PAT Margin	(%)	1.13	1.05
Total Debt/Tangible Net Worth	Times	0.97	1.25
PBDIT/Interest	Times	1.54	1.53

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Jul 2022	Term Loan	Long Term	1.05	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	9.70	ACUITE BB Stable (Reaffirmed)
26 Apr 2021	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

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

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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