

October 8, 2013

Facilities	Amount (Rs. Crores)	Ratings
Fund Based Facilities	7.55	SMERA B+/Stable (Assigned)
Non-Fund Based Facilities	0.25	SMERA A4 (Assigned)

SMERA has assigned a long term rating of '**SMERA B+**' (**read as SMERA Single B Plus**) and a short term rating of '**SMERA A4**' (**read as SMERA A Four**) to the Rs.7.80 crores bank facilities of Unique Welding Products Private Limited (UWPPL). The outlook is '**Stable**'. The ratings are constrained by the company's small scale of operations and low bargaining power in a highly competitive industry. The ratings are also constrained by the company's exposure to the automobile industry, which is currently undergoing a slowdown. However, the ratings are supported by the company's experienced management, strong customer relationships and strategic location in Gujarat, an emerging automobile manufacturing hub in India.

UWPPL, incorporated in 1987, is engaged in manufacturing of welding wires. The company has a small scale of operations with revenues declining Rs.19.13 crores in FY2011-12 (refers to financial year, April 01 to March 31) to Rs. 17.36 crores in FY2012-13. UWPPL operates in a highly competitive and fragmented industry. Moreover, the company is exposed to the current slowdown in the automobile and engineering goods industry. UWPPL's net profit margin declined from 1.68 per cent in FY2011-12 to 0.11 per cent in FY2012-13, mainly on account of high interest cost.

UWPPL has limited bargaining power with its suppliers as the company procures about 70 per cent of its raw material (steel wire) from the Jindal Group. UWPPL is engaged in low value added operations, which constrains the company's profit margins. Moreover, UWPPL is unable to expand its geographic reach as long-distance transportation is unviable in a period of rising freight cost. UWPPL's profitability is likely to remain constrained on account of the company's limited bargaining power with suppliers, dull demand environment and rising freight costs.

UWPPL has an experienced management team. Mr Amar Mulchandani and Mr Suresh Gulrajani, Directors of UWPPL, have over 30 years of experience in welding industry. The company has long-standing relationships with customers and a strong second line of management. Moreover, UWPPL is poised to benefit from the rapid development of the automobile industry in Gujarat.

Rating Sensitivity Factors

- Demand scenario
- Competitive pressure

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Outlook: Stable

SMERA believes UWPPL's outlook will remain 'Stable' over the medium term on the back of the company's experienced management and established customer relationships. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and profit margins. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in the company's revenues and profit margins.

About the company

UWPPL, incorporated in 1987, is a Gujarat-based manufacturer of welding wires. The company caters to leading automobile and auto components manufacturers, railways and engineering industries.. UWPPL has an experienced management team headed by Mr. Amar Mulchandani and Mr. Suresh Gulrajani.

UWPPL has an administrative office and factory unit in Vithal Udyognagar, an industrial town strategically located between the major cities of Ahmedabad and Vadodara, Gujarat.

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