



SMERA RATINGS LIMITED

Unique Welding Products Private Limited (UWPPL)

Rating
Rationale

September 24, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.00*	SMERA BB-/Stable (upgraded from SMERA B+/Stable)
Term Loan I	0.52	SMERA BB-/Stable (upgraded from SMERA B+/Stable)
Term Loan II	2.83	SMERA BB-/Stable (upgraded from SMERA B+/Stable)
Term Loan III	1.20#	SMERA BB-/Stable (upgraded from SMERA B+/Stable)
Letter of Credit	0.25	SMERA A4+ (upgraded from SMERA A4)

*Interchangeable with working capital demand loan to the extent of Rs 2.00 crore and Bill discounting to the extent of Rs 0.50 crores.

includes one-time project Letter of Credit as a sub-limit of to the extent of Rs 1.20 crore.

SMERA has upgraded the bank loan ratings of Unique Welding Products Private Limited (UWPPL) to '**SMERA BB-/Stable/SMERA A4+**' from '**SMERA B+/Stable/SMERA A4**'. The upgrade reflects healthy growth in revenues and operating profit margin reported by the company in FY2013-14 (refers to financial year, April 01 to March 31). The ratings draw comfort from the expected revival in the automobile sector. The ratings are supported by the company's long track record of operations, experienced management and established relations with customers. The ratings are also supported by the strategic location of the company's manufacturing unit. However, the ratings remain constrained by the company's small scale of operations and low net worth. The ratings are also constrained by the company's exposure to intense competition and high level of supplier concentration.

Update

UWPPL registered healthy growth in revenues and operating profit margin during FY2013-14 (refers to financial year, April 01 to March 31). The company's revenues increased from Rs.17.36 crore in FY2012-13 to Rs.20.04 crore in FY2013-14. UWPPL's operating profit margin increased from 9.38 per cent in FY2012-13 to 10.55 per cent in FY2013-14. The company's interest coverage ratio increased from 2.18 times in FY2012-13 to 2.66 times in FY2013-14. SMERA believes UWPPL will register healthy growth in revenues and profitability over the medium term on the back of revival in the automobile sector. The company's net cash accruals increased from Rs.0.89 crore in FY2012-13 to Rs.1.20 crore in FY2013-14. UWPPL's leverage (total debt to equity ratio) is moderate at 2.24 times as on March 31, 2014, as compared with 2.29 times as on March 31, 2013.

UWPPL benefits from its experienced management. Mr. Amar Mulchandani and Mr. Suresh Gulrajani, directors of UWPPL, have around 30 years of experience in the company's line of business. UWPPL also benefits from its long-standing relations with customers. The company's manufacturing unit is in proximity to major auto hub in Gujarat.

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Rating Rationale

UWPPL's small-scale operations are reflected in revenues of Rs.20.04 crore in FY2013-14. The company's net worth is low at Rs.3.44 crore as on March 31, 2014. UWPPL operates in a highly competitive and fragmented industry. The company is exposed to supplier concentration risk arising from high sourcing of raw material from the Jindal Group.

Rating sensitivity factors

- Sustained improvement in financial risk profile
- Demand scenario
- Competitive pressure

Outlook: Stable

SMERA believes UWPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established track record of operations, experienced management and long-standing relations with customers. The outlook may be revised to 'Positive' in case the company registers significant improvement in financial risk profile and working capital management. The outlook may be revised to 'Negative' in case of significant decline in the company's revenues and profit margins.

About the company

UWPPL, incorporated in 1987, is a Gujarat-based company engaged in manufacturing of welding wires. UWPPL caters to automobile and auto components manufacturers, railways and engineering industries. The overall operations of the company are managed by Mr. Amar Mulchandani and Mr. Suresh Gulrajani.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Antony Jose Vice President – Business Development Tel: +91-22-67141191 Email: antony.jose@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-67141107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-67141128 Email: ratingdesk@smera.in

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