

November 11, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.00	SMERA BB/Stable (Assigned)
Inland/Foreign Letter of Credit/Bank Guarantee	4.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA Double B**) and '**SMERA A4+**' (read as **SMERA A Four Plus**) to the Rs.7.00 crore bank facilities of Western Aluminium Industries (WAI). The outlook is '**Stable**'. The ratings are supported by the firm's experienced management, long track record of operations, moderate financial risk profile and group entity support. However, the ratings are constrained by the firm's low profitability, which is susceptible to raw material price volatility and intense competition prevalent in the aluminium industry.

WAI, established in 1999, is a Pune-based partnership firm engaged in manufacturing of aluminium slugs. WAI is a part of the Western Group, which is involved in the business of manufacturing aluminium slugs since November 1974 under the flagship company Western Metal Industries Private Limited (WMI). Mr. Prashant Shah and Mr. Anuj Gandhi, Partners of WAI, have over ten years of experience in the firm's line of business. WAI set up its factory unit in Silvassa (Dadara and Nagar Haveli) to avail value added tax (VAT) exemption. The ratings derive comfort from the firm's long and established track record of over ten years in the business of manufacturing aluminium slugs. WAI has a moderate financial risk profile as reflected in leverage of 0.99 times as on March 2013 and interest coverage ratio of 1.61 times for FY2012-13 (refers to financial year, April 01 to March 31). The firm does not have any long-term debt as on March 31, 2013. WAI derives strong operational support from its group entity (WMI), which undertakes a major portion of the firm's manufacturing activity on job work basis.

WAI's net profit margin deteriorated from 1.14 per cent in FY2011-12 to 0.75 per cent in FY2012-13 due to increase in raw material cost and finance expenses. Moreover, WAI operates in a highly competitive industry, which limits the firm's ability to pass on increase in raw material prices to customers.

Outlook: Stable

WAI has a stable outlook. SMERA believes the firm is likely to benefit over the medium term from its experienced management and group entity support. The outlook may be revised to 'Positive' if the firm registers higher-than-expected profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's profit margins or financial risk profile on account of higher-than-expected increase in working capital loans.

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**About the firm**

WAI, established in 1999, is a Pune-based partnership firm engaged in manufacturing of aluminium slugs. WAI has an administrative office in Pune, Maharashtra and a factory unit in Silvassa, Dadara and Nagar Haveli.

For FY2012-13 WAI reported PAT of Rs.0.51 crore on operating income of Rs.76.10 crore as compared with PAT of Rs.0.71 crore on operating income of Rs.69.18 crore for FY2011-12. In the first six months of FY2013-14, the firm reported operating income of Rs.33.00 crore (provisional). WAI's net worth stands at Rs.4.98 crore (provisional) as on March 31, 2013 as compared with Rs.3.94 crore a year earlier.

About the group

The Western Group, comprising WAI and WMI, is mainly engaged in manufacturing of aluminium slugs. WMI undertakes a major portion of the manufacturing activity of WAI on job work basis.

For FY2012-13, the Western Group reported PAT of Rs.1.37 crore on operating income of Rs.223.52 crore. The group's net worth stands at Rs.18.90 crore as on March 31, 2013.

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