Rating Rationale

CUAL Industries Pvt. Ltd. 26 March 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.83 Crores of CUAL Industries Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based			
Term Loan	0.33**	**Long Term**	**BWR B- (Pronounced as BWR B minus) (Outlook: Stable)**
Cash Credit	1.50		
Non Fund Based			
Bank Guarantee	5.00	**Short Term**	**BWR A4 (Pronounced as A Four)**
Total	**6.83**	**INR Six Crores and Eighty Three Lakhs Only**	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
**Outstanding amount as in February 2019.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statements of CUAL Industries Pvt Ltd. (CIPL) upto FY18, publicly available information and information/clarifications provided by the company's management.

The rating derives its strength from the experienced promoters However, the rating is constrained by below average financial risk profile and working capital intensive operations.

Going forward, the ability of the company to improve its scale of operations, profitability, liquidity profile & capital structure by infusion of additional capital as projected will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

Experienced Promoters: The promoters of the company have an experience of over half a decade in this industry. This long term expertise has helped the company establish a strong relationship with notable customers and suppliers.

Credit Risks:

Below Average Financial Risk Profile: The company's financial risk profile is below average indicated by tangible net worth of Rs. -0.82crs, significantly high gearing ratio of -8.33 times. The company's debt protection metrics are low with ISCR at 0.27 times and DSCR at 1.53 times in fiscal 2018.

Working Capital Intensive Operations: The company's Current Ratio is at 0.78 times in FY18. The conversion cycle is at 37 days in FY18 vis-a-vis 6 days in FY17, due to high receivables and payable days indicating working capital intensive operations.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Liquidity Profile

CIPL has liquid investments of Rs. 0.32crs and the Cash & Bank balances of Rs. 0.05 Crs as on March 31 2018. The long term borrowings stand at Rs. 0.31crs with current portion of long term liability is Rs. 0.17crs. Current ratio was low average at 0.78 times in FY18. The company has not submitted cash flow statement. Average working capital utilization for the eight months period (June 2018 to January 2019) is 85.68%. The company's debt protection metrics are moderate with ISCR at 0.27 times and DSCR at 1.53 times as on March 31 2018.

Holding/Subsidiary Company: NA

Rating Outlook: Stable

BWR believes the **CUAL Industries Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

CUAL Industries Pvt Ltd ('CIPL' or 'The Company') was incorporated on 13th December 2013. The company is promoted by Mr. Mohit Yadav and Ms. Divya Yadav. The company's main line of business is drawing of copper, aluminium and steel wires. Their processing unit is located in Alwar, Rajasthan with an installed capacity of 1,200 metric tonne per annum.

Company Financial Performance

As per the Audited Financials of FY18 the company has reported a revenue of Rs 24.23crs with PAT of Rs 0.91 crs vis-a-vis Rs 23.35 crs & Net Loss of Rs. 0.92crs in FY17. The Net Profit Margin and Operating Profit Margin are 3.88% and 1.93% respectively.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	24.23	23.35
EBITDA	₹ Cr	0.45	0.55
PAT	₹ Cr	0.91	-0.92
Tangible Net worth	₹ Cr	-0.82	-1.73
Total Debt/Tangible Net worth	Times	-8.33	-4.03
Current Ratio	Times	0.78	0.69

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1.	**Fund Based**	Long Term	1.83	**BWR B- (Pronounced asBWR B Minus) (Outlook: Stable)**	**NA**	**NA**	**NA**
2.	**Non Fund Based**	Short Term	5.00	**BWR A4 (Pronounced as BWR A Four)**			
	Total		**6.83**	**₹ Six Crores and Eighty Three Lakhs Only**			

Status of non-cooperation with previous CRA- NA

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Short Term Debt
- Manufacturing Companies

Analytical Contacts	Media
V. K. Kukreja **Associate Director-Ratings** analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media
The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.
BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER