



SMERA RATINGS LIMITED

# North Eastern Cables Private Limited (NECPL)

## Rating Rationale

**February 09, 2016**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	<b>SMERA B/Stable</b> <b>(Downgraded from SMERA BB/Stable)</b>
Letter of Credit	2.00	<b>SMERA A4</b> <b>(Downgraded from SMERA A4+)</b>
Bank Guarantee	12.00	<b>SMERA A4</b> <b>(Downgraded from SMERA A4+)</b>

SMERA has downgraded the bank loan ratings of North Eastern Cables Private Limited (NECPL) to '**SMERA B/Stable/SMERA A4**' from '**SMERA BB/Stable/SMERA A4+**'.

The downgrade reflects significant deterioration in the company's business risk profile. NECPL's sales have declined from Rs.28.35 crore in FY2013-14 to Rs.11.21 crore in FY2014-15. Further, the sales have declined to ~Rs.0.96 crore (provisional) for the period April 2015 to December 2015.

NECPL's ratings continue to remain constrained by working capital intensive operations and high customer concentration risk, as the company derives majority of its revenue from Assam Electricity Board (AEB). However the ratings derive comfort from the company's experienced management.

### Rating sensitivity factors

- Ability to scale up its operations
- Working capital management
- Bank limit utilisation

### Outlook: Stable

SMERA believes NECPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues and substantial improvement in profitability while maintaining comfortable capital structure. The outlook may be revised to 'Negative' in case of further decline in the company's profit margins, or in case of further deterioration in the company's financial risk profile on account of increase in debt-funded working capital requirements.

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### About the company

NECPL, incorporated in 1988, is an Assam-based company engaged in manufacturing of cables and conductors. NECPL also undertakes construction of power sub-stations for state electricity boards and power distribution companies. NECPL was promoted by Mr. M. D. Khetan, Mr. J. P. Khetan, Mr. B. K. Khetan and Mr. P. K. Khetan. The overall operations of the company are currently managed by Mr. J. P. Khetan and Mr. P. K. Khetan. NECPL mainly caters to Assam Electricity Board. The company also deals with private sector entities.

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