

Press Release

03 March, 2017

Relicab Cable Manufacturing Limited

Rating Reaffirmed

Total Bank Facilities Rated *	Rs.8.25 Cr
Long Term Rating	SMERA BB-/Stable
Short Term	SMERA A4+

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (read as SMERA BB minus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 8.25 crore bank facilities of Relicab Cable Manufacturing Limited. The outlook is '**Stable**'.

Relicab Cable Manufacturing Limited (RCML), was incorporated in 2009 as a private limited company. The company took over the existing business of M/s. Relicab Cable Corporation, a partnership concern that manufactured wires and cables. RCML manufactures and markets PVC compounds, wires and cables mainly for the industrial segment under the 'Relicab' brand name.

Key Rating Drivers

Strengths

- **Moderate financial risk profile**

The gearing (debt-to-equity ratio) stood at 1.26 times as on 31 March, 2016 as compared to 1.15 times as on 31 March, 2015. The net worth of the company stood at Rs.6.04 cr in FY2015-16 as compared to Rs.3.10 cr in FY2014-15. The Interest coverage ratio stood at 1.35 times in FY2015-16 as compared to 1.26 times for FY2014-15. The Debt Service coverage ratio stood at 1.27 times in FY2015-16 as compared to 1.12 times in FY2014-15.

- **Experienced management**

RCML benefits from its experienced management. Mr. Suhir Shah, Managing Director, has around three decades of experience in the cables and wire industry.

Weaknesses

- **Modest scale of operations**

RCML has reported modest scale of operations. The operating revenue of the company stood at Rs.15.45 cr in FY2015-16 and Rs.11.83 cr in FY2014-15. The company reported revenue of Rs.15 cr from April 2016 to January 2017.

- **Working capital intensive operations**

The operations are working capital intensive which is reflected in the gross current asset (GCA) of ~312 days in FY2015-16 on account of high inventory days of 204 days. Further, the working capital

limits are fully utilised with average utilisation of around 100 percent in the last six months ended December 2016.

• Susceptible to movement in raw material prices

The ratings are susceptible to fluctuations in raw material prices of copper wires, PVC resins among others. The operating margins have been uneven at 8.93 per cent in FY2016 as against 11.02 per cent in FY2015 and 9.77 per cent in FY2014.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of RCML.

Outlook: Stable

SMERA believes that RCML will continue to maintain a stable outlook over the medium term owing to its established presence in the cables and wires industry. The outlook may be revised to Positive if the scale of operations increases significantly registering improvement in profitability. Conversely, the outlook may be revised to Negative in case of decline in revenues and profit margins or deterioration in the working capital management.

About the Rated Entity - Key Financials

For FY2015-16, the company reported PAT of Rs.0.18 cr on operating income of Rs.15.45 cr, as compared with PAT of Rs.0.13 cr on operating income of Rs.11.83 cr in FY2014-15. The net worth stood at Rs.6.04 cr as on March 31, 2016 against Rs.3.10 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-Dec-2015	Cash Credit	Long Term	INR 3	SMERA BB- / Stable
	Bank Guarantee	Short Term	INR 5	SMERA A4+
	Proposed Facilities	Long Term	INR 0.25	SMERA BB- / Stable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA BB- / Stable

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ABOUT SMERA

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