

Press Release

Relicab Cable Manufacturing Limited

10 February, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 12.29 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 8.01 crore bank facilities of Relicab Cable Manufacturing Limited (RCML). The outlook is '**Stable**'.

Further SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 4.28 crore bank facilities.

The Mumbai-based Relicab Cable Manufacturing Limited (RCML), was incorporated in 2009 as a private limited company. The company tookover 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

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.

Moderate business risk profile:

The business risk profile of RCML stands moderate. The revenues increased to Rs.18.68 crore in FY2017 as against 15.45 crore in FY2016. However, the scale of operations remained small. Revenues registered for the period April to December 2017 is Rs. 20 crore. The operating margins stood at 8.48 per cent in FY2017 as against 8.93 per cent in FY2016.

SMERA believes that RCML's business risk profile will show improving trend over the medium term on the back of increasing demand from newer markets.

Weaknesses

Average financial risk profile

The networth of RCML stood at Rs. 6.19 crore as on 31 March, 2017 as against Rs. 6.04 crore as on 31 March 2016. The gearing stood at 1.47 times as on 31 March, 2017 compared to 1.26 times as on 31 March, 2016. This is due to increase in total debt to Rs. 9.09 crore as on 31 March, 2017 as against Rs. 7.60 crore as on 31 March, 2016. The Interest coverage ratio deteriorated to 1.27 times in FY2017 from 1.35 times in FY2016.

• Working capital intensive operations, stretched liquidity:

The rating is constrained as the operations of RCML are working capital intensive. The company has to maintain inventory of various types of cables and wires. The company had GCA of 318 days in FY2017 as against 307 days in FY2016 marked by inventory of 180 days in FY2017 as compared to 204 days in FY2016.

SMERA Ratings Limited

Registered Office: 102, Sumer Plaza, Marol Maroshi Road, Marol, Andheri (East), Mumbai - 400 059

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Further, the company had outstanding debtors of 108 days in FY2017 and 69 days in FY2016. RCML gets credit of 60 to 80 days which supports RCML's working capital requirement. The liquidity is stretched marked by stretched working capital facility utilisation. SMERA expects the company to maintain its working capital on a moderate level to maintain a stable credit profile.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of RCML to arrive at the rating.

Outlook: Stable

SMERA believes that RCML will maintain a Stable outlook and continue to benefit over the medium term from its established presence in the cables and wires industry. The outlook may be revised to 'Positive' in case of substantial increase in scale of operations and improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profit margins, or further elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	18.68	15.45	11.83
EBITDA	Rs. Cr.	1.58	1.38	1.30
PAT	Rs. Cr.	0.15	0.18	0.13
EBITDA Margin	(%)	8.48	8.93	11.02
PAT Margin	(%)	0.78	1.17	1.09
ROCE	(%)	10.99	13.47	20.00
Total Debt/Tangible Net Worth	Times	2.07	1.64	2.58
PBDIT/Interest	Times	1.27	1.35	1.26
Total Debt/PBDIT	Times	5.24	5.10	2.54
Gross Current Assets	Days	318	307	293

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
03 March, 2017	Cash credit	Long term	3.00	SMERA BB- / Stable (Reaffirmed)
	Bank guarantee/Letter of Guarantee	Short term	5.00	SMERA A4+ (Reaffirmed)
	Proposed Facilities	Long term	0.25	SMERA BB- / Stable (Reaffirmed)
15-Dec-2015	Cash credit	Long term	3.00	SMERA BB- / Stable (Assigned)
	Bank guarantee	Short term	5.00	SMERA A4+ (Assigned)
	Proposed Facilities	Long term	0.25	SMERA BB- / Stable (Assigned)

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	3.00	SMERA BB- / Stable (Reaffirmed)
Term Loan	NA	NA	NA	0.28	SMERA BB- / Stable (Assigned)
Proposed Facilities	NA	NA	NA	0.01	SMERA BB- / Stable (Reaffirmed)
Bank Guarantee	NA	NA	NA	5.00	SMERA A4+ (Reaffirmed)
Letter of Credit	NA	NA	NA	4.00	SMERA A4+ (Assigned)

Contacts

Analytical	Rating Desk
Vinayak Nayak Head - Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Leena Gupta	

Analyst - Rating Operations Tel: 022-67141172 leena.gupta@smera.in	
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ABOUT SMERA

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