

Press Release

Relicab Cable Manufacturing Limited (RCML)

April 25, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 12.29 Cr.
Long Term Rating	ACUITE BB-/Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 12.29 crore bank facilities of Relicab Cables Manufacturing Limited (RCML). The outlook is '**Stable**'.

RCML was incorporated in 2009 as a private limited company by Mr. Suhir Shah. The entity took over the running business of wires and cables manufacturing carried out since 1999 under the name of 'M/s. Relicab Cable Corporation' (Partnership concern). On March 2016, the company was converted into Public Limited. RCML is engaged in the business of manufacturing and marketing of PVC Compounds, Wires and Cables, mainly for the industrial segments. The company manufactures and markets its products under its own brand name called 'Relicab'.

Analytical Approach

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

Key Rating Drivers:

Strengths

Experienced management and long track record of operations

RCML benefits from its experienced management. Mr. Suhir Shah, Managing Director, has around two decades of experience in the cables and wire industry. Over the years, the company has been able to establish comfortable relationships with their key suppliers and customers.

Moderate financial risk profile

The financial risk profile of the company is marked by moderate net worth, comfortable gearing and moderate debt protection metrics. The net worth of the company stood moderate at Rs.9.69 crore in FY2018 as it increased from Rs.6.19 crore in the previous year, mainly on account of retention of current year profit and infusion of capital of around Rs. 2.98 crore. The gearing of the company stood comfortable at 0.66 times in FY2018 as compared to 1.47 times in the previous year. The total debt of Rs.6.39 crore consist of long term debt of Rs.0.62 crore, short term loan of Rs.5.60 crore and unsecured loan from promoters of Rs.0.17 crore as on 31 March, 2018. The interest coverage ratio (ICR) of the company stood moderate at 1.62 times in FY2018. The debt service coverage ratio (DSCR) of the company stood modest at 1.28 times in FY2018. The net cash accruals against the total debt (NCA/TD) stood moderate at 0.11 times in FY2018.

Weaknesses

Working capital intensive nature of operations

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 283 days in 2017-18. The high GCA days emanates from high inventory days of 209 in FY18. The company's operations are expected to remain capital intensive, as the company is engaged in manufacturing of wires and cables, which leads to a relatively high inventory period mainly due to inherent cyclicality of the industry. The debtor day of the company stood moderate at 70 days in FY2018 as compared to 108 days in the previous year.

Highly fragmented industry

The fragmented nature of the industry proves to be a major threat. Only 30 percent of the players in the industry are in the organised sector, rest are in the unorganised sector. The limited market share, competitive pressure because of the presence of a large number of players, including small and medium sized players, and tender-based business will keep operating margins in the manufacturing segment modest at 8 to 9 percent.

Liquidity Position

The company has moderate liquidity marked by moderate net cash accruals to its maturing debt obligation. The company has generated cash accruals of Rs. 0.70 crore in FY2017-18, against its maturing debt obligation of Rs.0.48 crore in FY2017-18. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 283 in FY 2018. This has led to higher reliance on working capital borrowings, the working capital limit in the company remains utilized at 100 percent during the last 6 months period ended March 2018.

Outlook: Stable

ACUITE 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	21.00	18.68	15.45
EBITDA	Rs. Cr.	2.09	1.58	1.38
PAT	Rs. Cr.	0.52	0.15	0.18
EBITDA Margin	(%)	9.94	8.48	8.93
PAT Margin	(%)	2.47	0.78	1.17
ROCE	(%)	13.58	10.99	13.47
Total Debt/Tangible Net Worth	Times	0.66	1.47	1.26
PBDIT/Interest	Times	1.62	1.27	1.35
Total Debt/PBDIT	Times	2.77	5.24	5.10
Gross Current Assets (Days)	Days	283	318	307

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
10-Feb-2018	Cash Credit	Long Term	3.00	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.28	ACUITE BB-/Stable (Assigned)
	Proposed Facilities	Long Term	0.01	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Assigned)
03-Mar-2017	Cash Credit	Long Term	3.00	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Facilities	Long Term	0.25	ACUITE BB-/Stable (Reaffirmed)
15-Dec-2015	Cash Credit	Long Term	3.00	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Assigned)
	Proposed Facilities	Long Term	0.25	ACUITE BB-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE BB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.12	ACUITE BB-/Stable (Reaffirmed)
Proposed Facilities	Not Applicable	Not Applicable	Not Applicable	0.17	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.75	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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