

Press Release

Relicab Cable Manufacturing Limited (RCML)

03 July, 2020

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 the 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 of bank facilities of Relicab Cable 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). In 2016, the constitution was changed to a limited company. 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 standalone business and financial risk profile of RCML while arriving at the rating.

Key Rating Drivers:

Strengths

Experienced management

RCML benefits from its experienced management. Mr. Suhir Hiralal Shah, Managing Director, has around two decades of experience in the cables and wire industry. The other directors of the company Mr. Parag Jayantilal Shah, Mr. Vijay Bhikaji More, Mr. Mushtaque Khan, Mr. Rajesh Mahasankar Gor and Ms. Purva Baheti also have extensive experience in cables and wire industry. This helps the company to establish healthy relation with the customers as well as with their suppliers.

Average financial risk profile

The financial risk profile of the company is marked by modest net worth, low gearing and healthy debt protection metrics. The net worth of the company stood low at Rs.10.79 crore in FY2019 as compared to Rs9.69 crore in FY2018. This improvement in Networth is mainly due to retention of current year profit. The gearing of the company stood comfortable at 0.90 times as on March 31, 2019 when compared to 0.66 times as on March 31, 2018. The slight increase in gearing is mainly on account of increase in short term debt. The total debt of Rs 9.75 crore in FY2019 mainly consists of short term loan of Rs. 9.13 crore and long term loan of Rs.0.62 crore. Interest coverage ratio (ICR) is comfortable and stood at 2.30 times in FY2019 as against 1.62 times in FY 2018. The net cash accruals to total debt (NCA/TD) stood moderate at 0.14 times in FY2019 as compared to 0.11 times in the previous year. Going forward, Acuite believes the financial risk profile of the company will be sustained at the current levels backed by steady accruals and no major capex plans.

Weaknesses

Working capital intensive nature of operation

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 365days and working capital days of 257 days in 2018-19. The working capital days is also stood high at 270 days in FY2020 (Prov.) The high GCA days in FY2019 emanate from high inventory days of 260 in FY19 as compared to 209 days in the previous year. The debtor days of the company also relatively high at 87 days in FY2019 as compared to 70 days in previous year. The inventory days and debtor days of the company also stood high at 299 days and 91 days respectively during FY2020 (Prov.) The company's operations are expected to remain capital intensive, as the company is engaged in manufacturing of wires and cables, so

company has to maintain high amount finished goods inventory to meet the regular demand of the customers.

Moderate scale of operation

Though the company has started operation since 2009 the revenue stood moderate at Rs.16.00 crore as on 31st March 2020 (Prov.) as compared to Rs.22.55 crore in the previous year. The decline in revenue is mainly on account of lesser order received during the period from the customer due to high competition in the market.

Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin
- Further deterioration in liquidity position of the company

Material Covenant

None

Liquidity Position: Stretched

The company has stretched liquidity marked by low net cash accruals of Rs.1.34 crore as against Rs.0.50 crore of yearly debt obligations. The cash accruals of the company are estimated to remain in the range of around Rs. 0.26 crore to Rs. 0.77 crore during 2020-22 against Rs.0.14 crore repayment in FY2021 and Rs. 0.29 crore in FY2022. The working capital intensity of the company is marked by gross current asset (GCA) days of 365 days in FY2019. The bank limit is fully utilized by the company for the last six months ended May 2020. The company has also been sanctioned a Covid19 Emergency Credit Line of Rs.0.43 crore. The said loans are to be repaid over a period of 2 years with a six months moratorium. Hence Acuite believes that this short term funding will ease the liquidity position of the company. Moreover, the company has availed of moratorium on their CC facilities till the end of Aug 2020. The liquidity position of the company post the moratorium would be a key credit monitorable.

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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	22.55	21.00
PAT	Rs. Cr.	1.11	0.52
PAT Margin	(%)	4.90	2.47
Total Debt/Tangible Net Worth	Times	0.90	0.66
PBDIT/Interest	Times	2.30	1.62

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

None

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
25-Apr-2019	Cash Credit	Long Term	4.25	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.12	ACUITE BB-/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.17	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	2.75	ACUITE A4+ (Reaffirmed)
10-Feb-2018	Cash Credit	Long Term	3.00	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.28	ACUITE BB-/Stable (Assigned)
	Proposed Bank 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 Bank Facilities	Long Term	0.25	ACUITE BB-/Stable (Reaffirmed)

***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	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE BB-/Stable (Reaffirmed)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.29	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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Contacts:

Analytical	Rating Desk
<p>Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in</p> <p>Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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