

## Press Release

### Relicab Cable Manufacturing Limited

February 01, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.54	ACUITE BB-   Stable   Reaffirmed	-
Bank Loan Ratings	7.75	-	ACUITE A4+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	12.29	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

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

### Rationale for reaffirmation of ratings

The rating reaffirmation draws comfort from the experience of management and improve in operating performance Y-O-Y basis, the H1FY2022 performance has surpassed FY2021 performance as reflected in its Operating Income (H1FY2022) at Rs.15.94 Cr. as against Rs.14.59 Cr. in FY2021 and Rs.12.28 Cr. in FY2020. Nonetheless, the rating remains constrained on account of deterioration in its working capital management, poor liquidity position, and average financial risk profile.

### About the Company

Incorporated in 2009 and based out of Daman, Relicab Cable Manufacturing Limited (RCML) as a public limited company led 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)'. The company is engaged in the business of manufacturing and marketing PVC Compounds and Wires and Cables with applications in multiple sectors like telecom, electrical, automotive, and household appliances.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

#### Experienced management supported by established customer base

RCML benefits from its experienced management led by Mr. Suhir Hiralal Shah, Managing Director, who has experience of more than 2 decades in the cables and wire industry. Over the years RCML has been able to develop relationships with its reputed clientele including

ABB India, Schneider Electric, Crompton Greaves, Bharat Bijlee, Siemens, Maktel Control & Systems, etc., to name a few. Further, the products are exported to countries such as Russia, Uganda, Indonesia, Nigeria, Singapore, and UAE.

### **Improvement in the business risk profile**

RCML's business risk profile has been witnessed in H1FY2022 and FY2021 as against FY2020. The operating income in H1FY2022 stood at Rs.15.94 Cr. as against Rs.14.59 Cr. in FY2021 and Rs.12.28 Cr. in FY2020. Growth in FY2022 is further supported by the addition of a new product line to its already extensive 300+ product lines such as high-margin Uninyvin cables.

### **Weaknesses**

#### **Average financial risk profile**

The financial risk profile of the company is average marked by modest net worth, moderate gearing, and poor coverage indicators. The tangible net worth of the company stood modest at Rs.9.25 crore in FY2021 as compared to Rs.8.66 crore in FY2020. Further, more than 99 percent of the shareholding of the company is pledged.

The gearing of the company stood moderate at 1.08 times as on March 31, 2021, when compared to 1.03 times as on March 31, 2020. The coverage indicators stood low while improving on a Y-O-Y basis marked by Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) both of 0.40 times in FY2021 as against (1.10) times in FY2020. The net cash accruals to total debt (NCA/TD) stood negative at (0.09) times in FY2021 as compared to (0.39) times in FY2020.

#### **Poor working capital management**

The working capital management stands poor marked by a Gross Current Assets (GCA) of 711 days in FY2021 as against 703 days in FY2020. Significantly high GCA days emanate from a high Inventory Holding Period of 425 days in FY2021 as against 373 days in FY2020 and debtor collection period of 101 days in FY2021 as against 24 days in FY2020. The creditors' payment period has also deteriorated significantly to 303 days in FY2021 as against 193 days in FY2020. The working capital limits remain utilized at more than ~95 percent for the 6-month period ended December 2021 as informed by the banker.

The working capital management is expected to improve the company's operations are expected to remain capital intensive, as the company is engaged in manufacturing of wires and cables, so the company has to maintain a high amount finished goods inventory to meet the regular demand of the customers.

### **Rating Sensitivities**

- Significant improvement in scale of operations, while maintaining its profitability margins.
- Deterioration in the working capital cycle leading to stress on the debt protection metrics or the liquidity position of the entity.

### **Material covenants**

None

### **Liquidity Position: Poor**

The company has poor liquidity marked by inadequate Net Cash Accruals (NCA) vis-à-vis its maturing debt obligations (CPLTD). The NCA stood at Rs. (0.95) crore in FY2021 as against Rs.0.35 crore of maturing debt obligations in FY2022. This is expected to be satisfied from the cash accruals in FY2022. The cash accruals of the company are expected to be ~Rs.1.00-Rs.3.00 Cr. while the maturing debt obligations are expected to be less than Rs.0.40 Cr. during the FY2022-24 period. The working capital requirements remain intensive with a gross current asset (GCA) days of 711 days in FY2021. The working capital limits remain utilized at more than ~95 percent last six-month period ended December 2021, as informed by the banker. Further, the company has availed USL from NBFC to meet its funding requirements.

## Outlook: Stable

Acuité believes that RCML will maintain a 'Stable' outlook in the near to medium term on account of its stable business risk profile supported by its experienced management and improving business risk profile. The outlook may be revised to 'Positive' if the entity registers higher-than-expected growth in its scale of operations, while also improving its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case the entity registers a significant decline in revenues or profitability indicators or if the financial risk profile deteriorates due to a higher-than-expected increase in debt-funded capex/requirements or working capital requirements resulting in deterioration in the overall capital structure.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	14.59	12.28
PAT	Rs. Cr.	(1.09)	(3.71)
PAT Margin	(%)	(7.44)	(30.19)
Total Debt/Tangible Net Worth	Times	1.08	1.03
PBDIT/Interest	Times	0.40	(1.10)

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

Not Applicable

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Jul 2020	Proposed Bank Facility	Long Term	0.29	ACUITE BB-   Stable (Reaffirmed)
	Cash Credit	Long Term	4.25	ACUITE BB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	2.75	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
25 Apr 2019	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	4.25	ACUITE BB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	2.75	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.17	ACUITE BB-   Stable (Reaffirmed)

	Term Loan	Long Term	0.12	ACUITE BB-   Stable (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 Facility	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 Facility	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 Working Capital Demand Loan	Long Term	0.25	ACUITE BB-   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+   Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.25	ACUITE BB-   Stable   Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.75	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.29	ACUITE BB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

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