

Press Release

Relicab Cable Manufacturing Limited

April 25, 2023



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	-	-

Rating Rationale

Acuite has reaffirmed the 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 rating reaffirmation

The rating reaffirmation of RCML takes into account improvement in the company's operational performance in FY2022. It also draws comfort from company's experienced management with an established track record of operations and its reputed clientele. The rating is however constrained by the company's average financial risk profile, moderately working capital-intensive operations, stretched liquidity position marked by low cushion in net cash accruals (NCA) against its debt repayment obligations and fully utilised bank limits.

For the current year as on H1 FY2023, RCML has achieved revenue of Rs.13 Cr as against Rs.16 Cr for H1 FY2022. The performance of the company has remained subdued due to the lack of available working capital limits from the bank as it remains fully utilised which has affected the company's overall business operations. Going forward, ability of the company to maintain its scale of operations and profitability margins along with improving its financial risk profile, while upgrading and maintaining an efficient working capital cycle will remain a key rating sensitivity factor.

About the Company

RCML incorporated in 2009, is a public limited company engaged into manufacturing and marketing of PVC Compounds, wires and cables used across industries like telecom, electrical, automotive and household appliances. The company is based out of Daman, Gujarat and it 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).

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 with an established track record of operations and reputed clientele

RCML has an operational track record of nearly two decades. It is promoted by Mr. Suhir Hiralal Shah who possess an extensive experience of over two decades in the wires and cable industry. He is supported by other directors Ms. Vijaya More, Mr. Rajesh Gor and Mr. Mushtaque Khan who possess nearly a decade of experience in the same industry. The promoter and directors are being supported by its team of experienced professionals in managing day to day operations of RCML. The extensive experience of the management has enabled RCML to establish a healthy relationship with its reputed clienteles like ABB India, Schneider Electric, Crompton Greaves, Bharat Bijlee, Siemens, Maktel Control & Systems amongst others.

Acuité believes that RCML will continue to benefit from its experienced management with an established track record of operations and its reputed clientele.

Increase in revenue and profitability

RCML reported an increase in its revenue of Rs.34 Cr in FY2022 as against Rs.15 Cr in FY2021 which is a growth of ~130 percent and has achieved this on account of significant increase in the orders from both domestic and exports market for the manufacturing and marketing of PVC Compounds, wires and cables. Exports have significantly increased to ~27 percent in FY2022 as against ~4 percent in FY2021. The overall production capacity of the company has improved during the year as the present installed capacity of manufacturing the panel wires has increased to 7,500 Km in FY2022 as against 5,800 Km in FY2021 with its utilisation also improved to ~82 percent in FY2022 as against ~68 percent in FY2021.

The operating margin of the company stood improved at 5.84 percent in FY2022 as against 3.39 percent in FY2021 whereas the net profit margin also stood improved at 0.66 percent in FY2022 as against (7.41) percent in FY2021 on account of overall improvement in the company's scale of operations.

Acuité believes that ability of RCML to maintain its scale of operations and profitability will remain a key rating sensitivity factor.

Weaknesses

Average financial risk profile

Financial risk profile of RCML is average marked by modest network, moderate gearing and average debt protection metrics. The network of the company stood modest at similar level of Rs.9 Cr as on 31 March, 2022 and 31 March, 2021. The gearing (debt-equity) stood moderate at 1.26 times as on 31 March, 2022 as against 1.08 times as on 31 March, 2021 on account of increase in the GECL term loan availed from the bank and unsecured loans availed from NBFC and corporate bodies to meet the working capital requirements. The gearing of the company is however expected to improve and remain moderate over the medium term on account of absence of any debt funded capex plans. The total debt of Rs.12 Cr as on 31 March, 2022 consists of long term bank borrowings of Rs.1 Cr, short term bank borrowings of Rs.4 Cr and unsecured loans of Rs.7 Cr.

The interest coverage ratio and DSCR stood improved at 1.35 times and 0.90 times for FY2022 as against 0.41 times and 0.40 times for FY2021. The Net Cash Accruals to Total debt stood improved at 0.03 times for FY2022 as against (0.09) times for FY2021. The Total outside liabilities to Tangible net worth stood high at 2.42 times for FY2022 and 2.17 times for FY2021. The Debt-EBITDA ratio stood improved albeit remained high at 5.76 times for FY2022 as against 15.62 times for FY2021.

Acuité believes that ability of RCML to improve its financial risk profile over the medium term will remain a key rating sensitivity factor.

Moderately working capital intensive operations

The operations of RCML are moderately working capital intensive marked by its Gross Current Assets (GCA) of 266 days for FY2022 which stood moderately high albeit improved against 578 days for FY2021. This is due to inventory cycle of the company which though remains elongated, however recorded an improvement in FY2022 of 183 days as against 428 days in FY2021. The average bank limit utilization for 6 months' period ended November 2022 stood fully utilised. Further, the receivable days stood improved at 70 days in FY2022 as against 101 days in FY2021 whereas the creditor days also stood improved at 137 days in FY2022 as against 298 days in FY2021.

Acuité believes that the ability of RCML to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Rating Sensitivities

- Ability to maintain scale of operations and profitability
- Ability to improve financial risk profile
- Ability to improve and maintain an efficient working capital cycle

Material covenants

None

Liquidity position - Stretched

RCML has stretched liquidity position marked by low cushion in net cash accruals (NCA) against its debt repayment obligations and fully utilised bank limits. The company generated negative cash accruals during FY2020 to FY2021 and further generated positive cash accrual during FY2022 of Rs.0.38 Cr against its repayment obligation of Rs.0.59 Cr to Rs.0.35 Cr during the same period. Going forward the NCA are expected in the range of Rs.0.43 Cr to Rs.0.90 Cr for period FY2023 to FY2024 against its repayment obligation of Rs.0.33 Cr to Rs.0.21 Cr during the same period. The working capital operations of the company are moderately intensive marked by its gross current asset (GCA) days of 266 days for FY2022 as against 578 days for FY2021 on account of its elongated inventory cycle during the same period. This makes the company dependent on bank borrowings for working capital requirement. The average bank limit utilization for 6 months' period ended November 2022 stood fully utilised and the company has availed unsecured loan from NBFC and corporate bodies to meet its funding requirements. Current ratio stands at 1.78 times as on 31 March 2022. The company has maintained low cash & bank balance of Rs.0.21 Cr in FY2022.

Acuité believes that the liquidity of RCML is likely to improve and remain adequate over the medium term on account of sufficient cash accruals expected to be generated against its maturing debt obligations.

Outlook: Stable

Acuité believes that RCML will maintain 'Stable' outlook over the medium term on account of its experienced management with an established track record of operations and reputed clientele. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	33.60	14.59
PAT	Rs. Cr.	0.22	(1.08)
PAT Margin	(%)	0.66	(7.41)
Total Debt/Tangible Net Worth	Times	1.26	1.08
PBDIT/Interest	Times	1.35	0.41

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

Not applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Feb 2022	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	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)
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)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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