Press Release

Zenium Cables Limited

31 October, 2017

Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	19.17 Cr. (Enhanced from Rs. 11.50 Cr.)
Long Term Rating	SMERA BB/Stable
Short Term Rating	SMERA A4+

**Refer Annexure for details*

SMERA has reaffirmed the long term rating of **'SMERA BB' (read as SMERA double B)** and short term rating of **SMERA A4+ (read as SMERA A four plus)** on the Rs. 17.00 crore bank facilities of Zenium Cables Limited (ZCL). The outlook is **'Stable'**.

Further, SMERA has assigned long term rating of **'SMERA BB' (read as SMERA double B)** on the Rs. 2.17 crore bank facilities of Zenium Cables Limited (ZCL).

The Mumbai-based Zenium Cables Limited was incorporated in 1992 as a proprietary concern and converted to a private limited company in 2007. The company is engaged in the manufacture and distribution of low tension (LT) power and control cables such as cross linked polyethylene (XLPE) cables, polyvinyl chloride (PVC) cables and co-axial cables. The manufacturing facility is located at Valsad, Gujarat. The company caters to Gujarat and Maharashtra State Electricity Boards and also private players such as Hi-tech Electrifications Private Limited, Bharat Electricals Contractors and Manufacturers Private Limited.

List of Key Rating drivers

Strengths

Experienced management and long track record of operations: ZCL is headed by Mr Ladubhai Goti, Managing Director, and Directors, Mrs. Harshaben Goti, Mr. Rajubhai M. Limbani and Mr. Amit L. Goti. The Directors have more than two decades of experience in the said line of business. The company thus benefits from the long term relations of the management with customers and suppliers.

Moderate financial risk profile: The financial risk profile is moderate marked by net worth of Rs. 9.26 crore as on 31 March, 2017 (Provisional) as against Rs. 5.51 crore a year earlier. Further, the tangible net worth includes unsecured loans from Directors to the tune of Rs.4.50 crore considered as quasi equity. The gearing has remained moderate at 1.53 times as on 31 March, 2017 (Provisional) as against 1.64 times as on 31 March, 2016. The ICR stood at 1.70 times for FY2017 (Provisional) as against 1.77 times for FY2016. The DSCR stood at 1.59 times for FY2017 (Provisional) as against 1.68 times for FY2016. The net cash accruals stood low at Rs.0.95 crore in FY2017 (Provisional) and Rs.

0.76 crore in FY2016.

Moderate order book position: The company has moderate order book position of Rs. 23.29 crore (October 2017) which provides revenue visibility for FY2017-18. The company has orders from the Gujarat government, Hi-tech Electrifications Private Limited, Bharat Electricals Contractors and Manufacturers Private Limited to name a few.

Weaknesses

Working capital intensive operations: The operations are working capital intensive. The working capital cycle elongated to 109 days in FY2017 (Provisional) from 100 days in FY2016 on account of increase in debtor days to 130 for FY2017 from 119 days for FY2016. This is due to delays in collection from State Electricity Boards (SEB). The GCA days are also high at 176 days for FY2017 as against 164 days for FY2016. The bank limit utilisation stood at around 95 percent for the six months ended July, 2017.

Susceptibility of margins to fluctuations in the prices of raw materials: The prices of major raw materials, aluminium and copper are volatile in nature. Hence, the margins are susceptible to fluctuations in raw material prices.

Intense competition: The company faces intense competition from organised and unorganised players that restricts pricing flexibility and bargaining power.

Analytical Approach: SMERA has considered the standalone business and financial risk profile of ZCL to arrive at the rating.

Outlook – Stable

SMERA believes that ZCL 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' if its scale of operations increases substantially while maintaining operating profitability and registering improvement in coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements and capex.

About the Rated Entity – Key Financials

The company reported profit after tax (PAT) of Rs.0.23 crore on operating income of Rs.45.59 crore in FY2015-16 compared with PAT of Rs.0.16 crore on operating income of Rs.39.30 crore in the previous year. The net worth stood at Rs. 5.51 crore as on 31 March, 2016 as against Rs. 5.28 crore in the previous year.

Applicable Criteria

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

Note on complexity levels of the instruments

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

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
31-May, 2016	Cash Credit	Long Term	6.50	SMERA BB / Stable (Assigned)
	Bill Discounting	Short Term	1.00	SMERA A4+ (Assigned)
	Inland/ Foreign letter of credit cum Buyers' Credit	Short Term	4.00*	SMERA A4+ (Assigned)

**includes Bank Guarantee to the tune of Rs.2.00 crore as a sub limit of Inland/Foreign Letter of Credit cum Buyers' Credit*

***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	10.00 (Enhanced from Rs. 6.50 Cr.)	SMERA BB/Stable (Reaffirmed)
Bill Discounting	NA	NA	NA	1.00	SMERA A4+ (Reaffirmed)
Inland/ Foreign letter of credit cum Buyers' Credit	NA	NA	NA	6.00* (Enhanced from Rs. 4.00 Cr.)	SMERA A4+ (Reaffirmed)
Term Loan	NA	NA	NA	2.17	SMERA BB/Stable (Assigned)

**includes Bank Guarantee to the tune of Rs.2.00 crores as a sub limit of Inland/Foreign Letter of Credit cum Buyers' Credit*

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ABOUT SMERA

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