

Press Release

Zenium Cables Limited

November 16, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 29.17 Crore (Enhanced from Rs. 19.17 Cr.)
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to Rs. 25.57 crore bank facilities and assigned long term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 3.60 crore bank facilities of Zenium Cables Limited. The outlook is '**Stable**'.

The Mumbai based, Zenium Cables Limited (ZCL) 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 and Larson and Toubro Limited.

Analytical Approach

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

Key Rating Drivers

Strengths:

- Established track record of operations and experienced management**

ZCL is headed by Mr. Ladubhai Goti (Managing Director) and Mrs. Harshaben Goti, Mr. Rajubhai M. Limbani and Mr. Amit L. Goti, who are the Directors. 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 has remained moderate marked by net worth of Rs.10.67 crore as on March 31, 2018 (PY: Rs.9.36 crore) which includes unsecured loans from the Directors to the tune of Rs.5.47 crore considered as quasi equity. The gearing has remained moderate at 1.50 times as on March 31, 2018 as against 1.52 times as on March 31, 2017. The interest coverage ratio (ICR) stood at 1.47 times for FY2018 (PY: 1.54 times). ICR has declined on account of increase in interest cost due to increase in working capital requirements in FY2018 over FY2017. The debt service coverage ratio stood at 1.32 times for FY2018 as against 1.42 times for FY2017. The net cash accruals stood at Rs.0.95 crore in FY2018 as against Rs.0.88 crore in FY2017.

Acuite expects moderation in the debt protection metrics over the near to medium term on account of improvement in profit levels by March, 2019.

- Moderate order book position**

The company has moderate order book position of around Rs.45.00 crore as on October, 2018 which provides revenue visibility for FY2018-19. The company has orders from UP Power Transmission Corporation Limited, Larsen and Toubro and Sterling and Wilson Pvt Ltd to name a few.

Weaknesses

- Uneven revenue trend with moderate profitability**

The operating income has shown uneven trend during the period FY2016 to FY2018 under the study. The operating income for FY2018 stood at Rs.56.69 crore as against Rs.62.14 crore in FY2017 and Rs.45.59 crore in FY2016. This is on account of delay in realisation from the receivables majorly from State Electricity Boards and State Power Discoms where the payments are received after 180 days from the completion date of contract. Further, ZCL has registered revenues of Rs.23.78 crore for the period April to September, 2018. The unexecuted order book position stood at Rs.44.00 crore from UP Power Transmission Corporation Limited, Larsen and Toubro and Sterling and Wilson Pvt Ltd to name a few.

The EBITDA margins have improved at 5.45 percent for FY2018 (PY: 4.38 percent) albeit decline in operating income in FY2018 over FY2017. The margins have improved on account of decline in raw material prices majorly steel and copper. The PAT margins stood at 0.76 percent for FY2018 as against 0.66 percent for FY2017. The PAT margins have increased on account of improvement in operating level profits and increase in other non-operating income (which includes interest income, discount received and rental income).

- Working capital intensity**

The operations of ZCL have remained working capital intensive marked by high Gross Current Asset (GCA) days of 198 in FY2018 (PY: 178 days). GCA days have increased due to delay in realisation from the receivables majorly from State Electricity Boards and State Power Discoms. The receivable days stood at 136 days in FY2018 (PY: 116 days). The inventory holding period has remained moderate at 49 days in FY2018 (PY: 46 days). The working capital cycle is further supported by stretched suppliers which moderates the working capital requirements. The average bank limit utilisation stood at around 80 percent for the six months ending October, 2018.

- Competitive and fragmented nature of the industry**

Stiff competition from organised players restricts the pricing flexibility and bargaining power of small players. Furthermore, smaller companies are more vulnerable to intense competition and have limited pricing flexibility, which constrains their profitability as compared with larger companies that have better efficiencies and pricing power considering their scale of operations.

Outlook: Stable

Acuite believes that ZCL will maintain a 'Stable' outlook benefitting over the medium term from its promoters experience in the industry. The outlook may be revised to 'Positive' in case the company is able to register healthy revenues and sustain its profitability. Conversely, the outlook will be revised to 'Negative' in case of significant decline in the revenue and profit margins and working capital cycle.

About the Rated Entity - Key Financials Indicators

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	56.69	62.14	45.59
EBITDA	Rs. Cr.	3.09	2.72	1.97
PAT	Rs. Cr.	0.43	0.41	0.23
EBITDA Margin	(%)	5.45	4.38	4.32
PAT Margin	(%)	0.76	0.66	0.49
ROCE	(%)	11.98	13.64	10.27
Total Debt/Tangible Net Worth	Times	1.50	1.52	1.64
PBDIT/Interest	Times	1.47	1.54	1.77
Total Debt/PBDIT	Times	4.55	4.62	4.58
Gross Current Assets (Days)	Days	198	178	164

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

Not Applicable

Any other information

Not Applicable

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/view-rating-criteria-20.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. Crore)	Ratings/Outlook
31-Oct-2017	Cash Credit	Long Term	10.00 (enhanced from Rs. 6.50 crore)	ACUITE BB/Stable (Reaffirmed)
	Bill Discounting	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Inland/ Foreign letter of credit cum Buyers' Credit	Short Term	6.00* (enhanced from Rs. 4.00 crore)	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	2.17	ACUITE BB/ Stable (Assigned)
31-May-2016	Cash Credit	Long Term	6.00	ACUITE BB/ Stable (Assigned)
	Bill Discounting	Short Term	1.00	ACUITE A4+ (Assigned)
	Inland/ Foreign letter of credit cum Buyers' Credit	Short Term	4.00#	ACUITE A4+ (Assigned)

*Includes bank Guarantee to the tune of Rs. 4.00 crore as a sub-limit of Inland/ Foreign Letter of Credit cum Buyers' Credit

#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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00 (Enhanced form Rs.10.00 crore)	ACUITE BB/Stable (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Reaffirmed)
Inland/ Foreign letter of credit cum Buyers' Credit	Not Applicable	Not Applicable	Not Applicable	10.00# (Enhanced from Rs.6.00 crore)	ACUITE A4+ (Reaffirmed)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	1.57	ACUITE BB/Stable (Reaffirmed)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	3.60	ACUITE BB/Stable (Assigned)

#Includes bank Guarantee to the tune of Rs. 5.00 crore as a sub-limit of Inland/ Foreign Letter of Credit cum Buyers' Credit

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About Acuite Ratings & Research:

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