

### Satellite Cables Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA BB/Stable (Assigned)
Letter of Credit*	5.00	SMERA A4+(Assigned)

\*with a Rs. 5.00 crore Sub-Limit for Bank Guarantee

SMERA has assigned long term and short term rating of **SMERA BB (read as SMERA double B)** and **SMERA A4+ (read as SMERA A four plus)** to the abovementioned bank facilities of Satellite Cables Private Limited (SCPL). The outlook is '**Stable**'.

The ratings are supported by the healthy debt protection metrics on account of the low degree of financial leverage and experienced management. However, the ratings are constrained by the unstable profitability indicators and working capital intensive operations.

SCPL has maintained a healthy capital structure. The debt to equity ratio improved from 1.06 times in FY2015 to 0.89 times in FY2016. Further, the company also maintains healthy debt protection metrics. The Interest coverage remained stable at 1.86 times in FY2016 against 1.88 times in FY2015. Further, the Debt Service Coverage Ratio improved from 1.17 times in FY2015 to 1.20 times in FY2016. SCPL also maintained a modest NCA to Total Debt ratio of 0.08 times in FY2016.

Notwithstanding a 22.59 per cent CAGR in the net sales, the rating is constrained by the modest scale of operations of the company. The profitability indicators for SCPL continued to decline with an EBITDA margin of 4.08 per cent in FY2016 against 4.95 per cent in FY2015. The PAT margin remained stable at 1.07 per cent in FY2016 against 1.05 per cent in FY2015 on account of decline in financial leverage. However, at the same time, the return on capital employed improved from 12.08 per cent in FY2015 to 12.45 per cent in FY2016.

SCPL's operations continue to be working capital intensive on account of a high degree of engagement in tender based activities. As a result, current assets continue to remain high due to the requirement for earnest money and delay in receipts from the State Electricity Boards (SEBs). This leads to a high bank limit utilisation that averaged at 98.74 per cent for the last 12 months upto May 2016.

#### Outlook- Stable

SMERA believes that SCPL will maintain a Stable outlook in the medium term on account of its healthy capital structure, coverage indicators and support from its management. The outlook may be revised to 'Positive' with increase in scale of operations along with improvement in the debt protection metrics. Conversely, the outlook may be revised to 'Negative' on account of an increase in gearing along with further increase in the working capital requirements.

#### Rating Sensitivity Factors

- Significant and consistent increase in the scale of operations
- Decline in the Gross Current Asset days
- Improvement in profitability

#### Criteria applied to arrive at the ratings:

- Manufacturing Entities

### About the Company

SCPL was acquired by Mr. V.N. Gupta, Mr. Vinay Gupta and Mr. Vikas Gupta in 2010. The company manufactures transmission cables. In FY2016, SCPL reported net operating income of Rs.66.58 crore with Profit After Tax (PAT) of Rs.0.72 crore against net operating income of Rs.45.94 crore with a PAT of Rs.0.48 crore in FY2015.

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### ABOUT SMERA

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