

### Tegh Cables Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	3.00	SMERA BB/Stable (Assigned)
Dealer Financing	18.00	SMERA A4+(Assigned)
Letter of Credit	4.00	SMERA A4+(Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and **SMERA A4+** (read as **SMERA A four plus**) to the Rs.25.00 crore bank facilities of Tegh Cables Private Limited (TCPL). The outlook is '**Stable**'.

The ratings derive comfort from the, long track record of operations, healthy revenue growth and authorised dealership of Polycab Wires. However, the ratings are constrained by the average financial risk profile, working capital intensive operations and intense competition in the cables and wires industry.

TCPL is an authorised all-India distributor for Polycab since 1980. The company's revenue increased to Rs.85.47 crore in FY2016 from Rs.65.13 crore in FY2015. It achieved revenue of Rs.48.00 crore for HY2016-17. The operating margin of the company improved to 4.27 percent in FY2015-16 from 4.07 percent in FY2014-15.

The financial risk profile of TCPL is average marked by high gearing of 3.36 times as on March 31, 2016, Interest Coverage Ratio (ICR) of 1.69 times and Debt Service Coverage Ratio (DSCR) of 1.49 times for FY2016.

TCPL's operations are working capital intensive. The working capital cycle stands at 127 days in FY2015-16 which increased from 133 days in FY2014-15 on account of high debtors of 103 days in FY2015-16 (PY: 104 days).

#### Rating Sensitivity Factors

- Sustained growth in revenue while maintaining profitability
- Efficient working capital management
- Movement in gearing and coverage indicators

#### Outlook-Stable

SMERA believes that TCPL will maintain a stable outlook over the medium term and continue to benefit from its moderate scale of operations and dealership of Polycab Wires Private Limited. The outlook may be revised to 'Positive' if its scale of operations increases substantially while maintaining operating profitability and registering improvement in its coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operation or if its financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

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

- Trading Entity

### About the Company

The Mumbai-based TCPL, incorporated in 1980 is an authorised pan-India distributor for Polycab Wires Private Limited. The company is managed by Mr Surinder Singh Atal, Mrs Gurdeep Kaur Atal, Mr Banpreetsingh Atal and others.

The company supplies products such as LV PVC and XLPE Cables, Zero Halogen cables, Instrumentation cables among others to companies undertaking construction projects.

For FY2015-16, TCPL reported profit after tax (PAT) of Rs.0.88 crore on operating income of Rs.85.47 crore, as compared with profit after tax (PAT) of Rs.0.65 crore on operating income of Rs.65.09 crore in FY2014-15.

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### ABOUT SMERA

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