

Press Release

Marino Cables India Private Limited

July 10, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 24.00 crore bank facilities of Marino Cables India Private Limited. The outlook is '**Stable**'.

Delhi-based, Marino Cables India Private Limited (MCPL) was incorporated in January 2007 by Mr. Rajesh Jindal and Mrs. Rekha Jindal. The company manufactures cables and wires (low tension PVC wires, cross linked polyethylene XLPE cables, high tension and mining cables) and has installed manufacturing capacity of 10,000 kms per month. The company sources raw materials - copper, aluminium, PVC resin among others from suppliers in India and overseas (Dubai, Taiwan, Korea). MCPL exports 80 per cent of its products to West Africa, Dubai and Gulf countries and the rest is sold in the domestic market to government entities including Madhyanchal Vidyut Vitran Nigam Limited, Uttar Pradesh Electrical Board, Purvanchal Vidyut Vitran Nigam Limited on tender basis.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

The promoters, Mr. Rajesh Jindal and Mrs. Rekha Jindal have more than two decades of experience in the said line of business.

- **Moderate financial risk profile**

The company has moderate financial risk profile marked by comfortable gearing of 0.93 times in FY2015-16 against 0.85 times in FY2014-15. Moreover, the interest coverage ratio stood at 1.88 times in FY2015-16 as against 2.10 times in FY2014-15. The networth improved to Rs.15.23 crore in FY2015-16 as against Rs.14.13 crore in FY2014-15 owing to retention of profits in the business. The networth includes unsecured loans from promoters of Rs. 10.44 crs in FY'16 (Rs. 9.75 crs in the FY'15) which is fully subordinated to bank debt and SMERA has treated this amount as quasi equity. The net cash accrual (NCA)/total debt (TD) stood at 0.08 times in FY2015-16 against 0.08 times in FY2014-15. SMERA believes that further deterioration of gearing and interest coverage ratio of company would be key monitorable factor.

- **Established relationships with reputed clients**

MCPL has healthy relations with clients and suppliers. The company imports around 75 percent of the raw material from various suppliers like Fujairah Gold Fz (Dubai), LG Chem Ltd (Korea), Balaji Wires Pvt Ltd (Delhi) among others and the clients like Afritek Electricals Ltd. (Nigeria), John Cee Nigeria Ltd. (Nigeria), Jin Bros General Trading LLC (Dubai), Madhyanchal Vidyut Vitran Nigam Limited, Uttar Pradesh Electrical Board, Purvanchal Vidyut Vitran Nigam Limited in India among others.

Weaknesses

• Modest scale of operations

The revenue of the company is modest and stood at Rs.37.14 crore in FY15-16 against Rs.32.20 crore in FY14-15. Further, the company has achieved operating income of ~Rs. 34.00 crore in FY16-17 (provisional). The revenue declined due to slowdown in the market.

• Tender based nature of business

MCIPL sells around 25 percent of its products to government entities. The nature of business is tender based. Going forward, the company's ability to bid for large orders and qualify for the same remains to be seen. However the promoter's extensive experience and long term relations partially mitigate this risk.

• Susceptibility of profit margins to fluctuations in raw material prices

The products find application in wires and cables. The profit margins are susceptible to fluctuations in the raw material prices of Copper, Aluminium, PVC resin .

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profile of the company.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook in the medium term on the back of its extensive experience in the wire and cable business. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in capital structure resulting in further deterioration of the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.61 crore on operating income of Rs.37.14 crore, as compared with PAT of Rs.0.38 crore on operating income of Rs.32.20 crore in FY2014-15. The net worth stood at Rs.15.23 crore (included Rs.10.44 crore as quasi equity) as on 31 March, 2016 against Rs.14.13 crore (included Rs.9.75 crore as quasi equity) a year earlier.

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

None

Any other information

None

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 rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
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Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4+
Buyers Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+

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ABOUT SMERA

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