

Press Release

Vardhman Cables and Conductors

August 26, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 50.00 crore bank facilities of Vardhman Cables And Conductors. The outlook is '**Stable**'.

Vardhman Cables and Conductors (Vardhman Cables) was established as a partnership firm by Mr Pravin Jain and Mr. S D Gandhi. The firm manufactures electrical cables and conductors and has installed capacity of 5000 Km/year and 20000 Km/year respectively. The manufacturing facility is located at Mumbai, Maharashtra.

Key Rating Drivers

Strengths

- **Experienced management**

Vardhman Cables was established in 1993 by partners, Mr Pravin Jain and Mr S. D Gandhi who possess experience of more than two decades in the electrical industry.

- **Modest scale of operations**

The scale of operations is modest marked by operating income of Rs.112.82 crore and Rs.110.38 crore in FY2017 (Provisional) and FY2016 respectively.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Asset days of 255 and 199 in FY2017 (Provisional) and FY2016 respectively. The high GCA days is mainly due to high debtors - 228 days and 181 days in FY2017(Provisional) and FY2016 respectively. The firm caters to the State Electricity Board of Maharashtra.

- **Weak financial risk profile**

The weak financial risk profile is marked by high gearing, moderate debt protection metrics and low net worth base. The gearing decreased and stood at 7.16 times in FY2017 (Provisional) compared to 7.87 times in FY2016 mainly due to increase in net worth and short term debt. The interest coverage ratio and DSCR stood at 1.15 times and 1.12 times in FY2017 (Provisional). The net worth stood low at Rs.4.59 crore and Rs.4.19 crore in FY2017 (Provisional) and FY2016 respectively. The NCA/TD stood at 0.03 times in FY2017 (Provisional) compared to 0.02 times in FY2016 mainly on account of low profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that the outlook on Vardhman Cables will remain stable over the medium term backed by its experienced management and healthy relations with customer and suppliers. The outlook may be revised to 'Positive' in case the firm registers more than envisaged sales and profitability while efficiently managing its working capital cycle and improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the envisaged revenue and profitability and if the working capital cycle gets stretched deteriorating the financial risk profile.

About the Rated Entity - Key Financials

The firm reported Profit after Tax (PAT) of Rs 0.34 crore on operating income of Rs.110.38 in FY2016 compared to PAT of Rs.0.43 crore on operating income of Rs.98.65 crore in FY2015.

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B+ / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	24.50	SMERA A4
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4

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