

Press Release

Vardhman Cables and Conductors

February 05, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 50.00 crore bank facilities of Vardhman Cables and Conductors (VCC). The outlook is '**Stable**'.

VCC was established as a partnership firm by Mr. Pravin Jain and Mr. S D Gandhi. The firm manufactures electrical cables and conductors with installed capacity of 7000 Km/year and 25000 Km/year, respectively. The manufacturing facility is located at Mumbai (Maharashtra).

Analytical Approach

Acuite has considered the standalone financial and business risk profile of VCC. Further, Acuite has considered unsecured loans of Rs. 8.13 crore from promoters as quasi equity after receiving confirmation by the bank sanction letter and the client.

Key Rating Drivers

Strengths

- **Experienced management**

VCC was established in the year 1993. The partners possess extensive experience of more than two decades in the electrical components industry, which has helped VCC establish healthy relationships in the industry.

- **Average financial risk profile**

The financial risk profile of VCC is average marked by average net worth, debt protection measures and gearing. The net worth of VCC stood average at Rs.15.17 crore as on 31 March, 2018 as against Rs.12.65 crore as on 31 March, 2017. The gearing of VCC stood at 1.14 times as on March 31, 2018 as compared to 0.77 times as on 31 March 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 4.31 times as on 31 March, 2018 as against 5.86 times as on 31 March, 2017. Interest Coverage Ratio (ICR) has improved but remained average at 1.42 times in FY2018 as compared to 1.21 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.06 times as on 31 March, 2018 as against 0.07 times as on 31 March, 2017.

Weaknesses

- **Working capital intensive operations**

The operations of VCC are working capital intensive marked by Gross Current Asset (GCA) of 209 days in FY2018 as against 247 days in FY2017. This is majorly on account of higher receivables period of 197 days in FY2018 as against 220 days in FY2017 due to delayed payments receipt from government clients. The inventory holding period stood at 3 days in FY2018 as compared to 13 days in FY2017. The payables period has come down to 176 days in FY2018 from 233 days in FY2017. The average bank limit utilisation stood at ~98 percent for the last three months ended December 2018. Acuite believes the ability of VCC to improve its working capital cycle will be a factor of key rating sensitivity.

Liquidity Position:

VCC has average liquidity position marked by low net cash accruals but no maturing debt obligations. VCC has generated cash accruals of Rs.0.57 crore to Rs.1.01 crore during the last three years through 2017-18, while its maturing debt obligations were nil over the same period. The cash accruals of VCC are estimated to increase to Rs.1.72 crore- Rs.2.76 crore during 2019-21, while its repayment obligation are estimated to be around Rs.2.17 crore - Rs.1.17 crore. VCC's operations are working capital intensive marked by Gross Current Asset (GCA) days of 209 in FY 2018. This has led to high reliance on working capital borrowings marked by high utilisation levels. VCC maintains unencumbered cash and bank balances of Rs.0.10 crore as on March 31, 2018. The current ratio of VCC stood at 1.05 times as on March 31, 2018. Acuite believes that the liquidity of VCC is likely to improve over the medium term on account of growth in scale of operations.

Outlook: Stable

Acuite believes that VCC will maintain a 'Stable' outlook over the medium term on account of its experienced management and established relationships in the industry. The outlook may be revised to 'Positive' in case of sustained growth in operating income while sustaining the profitability margins and the outlook may be revised to 'Negative' in case of decline in profitability metrics and/or deterioration in working capital management or financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	114.80	112.76	110.38
EBITDA	Rs. Cr.	4.03	4.17	4.47
PAT	Rs. Cr.	0.72	0.34	0.34
EBITDA Margin	(%)	3.51	3.70	4.05
PAT Margin	(%)	0.63	0.30	0.31
ROCE	(%)	16.32	17.10	32.77
Total Debt/Tangible Net Worth	Times	1.14	0.77	1.43
PBDIT/Interest	Times	1.42	1.21	1.18
Total Debt/PBDIT	Times	3.63	2.09	3.43
Gross Current Assets (Days)	Days	209	247	199

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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. Cr.)	Ratings/Outlook
19-Sep-2018	Cash Credit	Long Term	3.50	ACUITE B+ (Indicative)
	Bills Discounting	Short Term	24.50	ACUITE A4 (Indicative)
	Bank Guarantee	Short Term	7.00	ACUITE A4 (Indicative)
	Letter of Credit	Short Term	15.00	ACUITE A4 (Indicative)
26-Aug-2017	Cash Credit	Long Term	3.50	ACUITE B+ / Stable (Assigned)
	Bills Discounting	Short Term	24.50	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	7.00	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A4 (Assigned)

#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	ACUITE B+ / Stable (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	24.50	ACUITE A4 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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