

Press Release

Vardhman Cables and Conductors

September 22, 2021



Rating Reaffirmed, Withdrawn

Total Bank Facilities Rated*	Rs. 48.00 crore #
Long Term Rating	ACUITE B/Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating '**ACUITE B' (read as ACUITE B)** and short-term rating of '**ACUITE A4' (read as ACUITE A four)** on the Rs. 48.00 crore bank facilities of Vardhman Cables and Conductors (VCC). The outlook remains '**Stable**'.

The rating on VCC takes cognizance of the long-standing experience of the partners and long track record of operations of the firm. These strengths are, however, constrained by the below average business risk profile, working capital intensity in its operations and competitive and fragmented nature of the industry.

About the firm:

Vardhman Cables and Conductors (Vardhman Cables) was established as a partnership firm in 1993 at Karnataka by Mr. Pravin Jain and Mr. S D Gandhi. The firm manufactures electrical cables and conductors and has installed capacity of 7000 Km/year and 25000 Km/year respectively.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Vardhman Cables and Conductors (VCC) to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

The partners, Mr. Praveen Jain and Mr Shreyans Gandhi has an experience of more than two decades in cable and conductor business. The long-standing experience of the partners and long track record of operations has helped them to establish comfortable relationships with their key suppliers

Weaknesses

- **Working capital intensive operations**

The working capital management of the firm is intensive marked by high Gross Current Assets (GCA) of 538 days in FY2021 (Provisional) as compared to 290 days in FY2020. The high GCA days emanates from the high debtor period, which stood at 537 days as at March 31, 2021 (Provisional) compared to 311 days as on March 31, 2020 due to the inherent nature of business. However, the inventory holding stood at 20 days as on March 31, FY2021 (Provisional) as compared to 3 days as on March 31, 2020. Acuité believes that working capital management of the firm will remain a key credit monitorable.

- **Below Average financial risk profile**

The firm's below average financial risk profile is marked by weak network, high gearing and moderately weak debt protection metrics. The net worth of the firm stood at Rs.13.54 crores as on 31 March, 2021

(Provisional) as against Rs.16.34 crores as on 31st March, 2020. The gearing stood high at 2.10 times as on March 31,2021 (Provisional) as compared to 1.39 times as on March 31,2020. The total debt of Rs. 28.43 crores as on March 31, 2021 (Provisional) consists of mainly short-term borrowings of Rs.11.75 crores and unsecured loan from directors/promoters of Rs 16.68 crores. The moderately weak debt protection metrics of the firm is marked by the interest coverage ratio (ICR) stood at 1.11 times in FY2021 (Provisional) and DSCR stood at 1.11times in FY2021 (Provisional). The NCA/TD stood low at 0.01 times in FY2021(Provisional). Acuite believes that going forward the financial risk profile of the firm will improve in the absence of any major debt funded capex plans in the medium term.

• **Competitive and Fragmented Industry**

The company is engaged in cables and conductors' business The sector is marked by the presence of several mid to big size players. The company faces competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on the minimum amount of bidding of contracts. However, this risk is mitigated to an extent as the promoters have been operating in this environment for more than six decades.

Rating Sensitivity

- Growth in revenue along with improvement in profitability margins
- Elongation in working capital cycle
- Deterioration in capital structure

Material Covenants

None

Liquidity position: Stretched

VCC has stretched liquidity position marked by fully utilized fund-based bank facility limits for 12 months ended June 2021 and low cash accruals of Rs.0.35 crores as on March 31,2021 (Provisional). Further, the working capital operations of the firm are intensive marked by GCA (Gross Current Assets) Days of 538 days in FY 2021 (Provisional) as compared to 290 days in the previous year in FY 2020. However, the maturing debt obligations stood nil over the same period. The current ratio stood comfortable at 1.76 times as on March 31, 2021 (Provisional) compared to 1.36 times as on March 31,2020. The company maintains cash and bank balances of Rs.0.05 crore as on March 31, 2021 (Provisional). Acuite believes that the liquidity of the firm is likely to remain at similar levels over the medium term due to lower level of cash accruals.

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 Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	33.11	75.19
PAT	Rs. Cr.	0.02	2.16
PAT Margin	(%)	0.07	2.87
Total Debt/Tangible Net Worth	Times	2.10	1.39
PBDIT/Interest	Times	1.11	1.58

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

• Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
27-Jan-2021	Cash Credit	Long term	3.50	ACUITE B (Downgraded from ACUITE B+/Stable) Issuer not co-operating*
	Bill Discounting	Short term	24.50	ACUITE A4 Issuer not co-operating*
	Bank Guarantee	Short term	7.00	ACUITE A4 Issuer not co-operating*
	Letter of Credit	Short term	15.00	ACUITE A4 Issuer not co-operating*
05-Feb-2019	Cash Credit	Long term	3.50	ACUITE B+/Stable (Reaffirmed)
	Bill Discounting	Short term	24.50	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short term	7.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short term	15.00	ACUITE A4 (Reaffirmed)
19-Sep-2018	Cash Credit	Long term	3.50	ACUITE B+ (Indicative)
	Bill 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)

***Annexure–Details of instruments rated**

Instrument Information

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Canara Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B/Stable (Reaffirmed)
Canara Bank	Bill Discounting	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4 (Reaffirmed)
Canara Bank	Bill Discounting	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Reaffirmed & withdrawn)

Canara Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4 (Reaffirmed)
Canara Bank	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in Shubhaditya Sarkar Analyst- Rating Operations Tel: 033-6620 1212 shubhaditya.sarkar@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research

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