



**Press Release**  
**VARDHMAN CABLES AND CONDUCTORS**  
**December 15, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE B   Stable   Reaffirmed	-
Bank Loan Ratings	30.00	-	ACUITE A4   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	48.00	-	-

**Rating Rationale**

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

**Rationale for rating reaffirmation**

The rating reaffirmation of VCC takes into account improvement in the firm's revenue in FY2023. It also draws comfort from the experienced management of the firm and established track record of operations. The rating is however constrained by the firm's below average financial risk profile, decline in profitability margins, working capital intensive nature of operations and stretched liquidity position marked by low net cash accruals. Going forward, ability of VCC to improve its financial risk profile along with improving the working capital cycle and to maintain its scale of operations while improving the profitability margins will remain a key rating sensitivity factor.

**About the Company**

VCC established in 1993, is a Belgaum based partnership firm engaged in the business of manufacturing cables and conductors with an installed capacity of 20,000 kms/year. The firm is managed by its partners Mr. Pravin Jain and Mr. S D Gandhi.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

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

VCC has an operational track record of three decades. The firm is managed by its partners, Mr. Pravin Jain and Mr. S D Gandhi who possess an extensive experience of more than two decades in the manufacturing of cables and conductors. The partners are supported by its team of experienced professionals in managing day to day operations of VCC. The extensive experience of the partners has enabled VCC to establish a healthy

relationship with its customers and suppliers.

Acuité believes that VCC will continue to benefit from its experienced management and established track record of operations.

### **Increase in revenue albeit moderation in profitability**

VCC reported an increase in its revenue of Rs.48 Cr in FY2023 as against Rs.33 Cr in FY2022 which is a growth of ~44 percent and has achieved this on the basis of adequate amount of orders received during the year and their timely completion. Despite of increase in the firm's operating income, the operating margin however stood moderated at 7.12 percent in FY2023 as against 9.90 percent in FY2022 due to significant increase in the prices of key raw materials during the year such as aluminium, steel, PVC compound amongst others which are used by the firm towards producing the cables and conductors. On the other hand, the net profit margin of the firm also stood moderated at 0.94 percent in FY2023 as against 2.86 percent in FY2022 due to significant increase in the interest cost during the year.

For the current year as of November 2023, VCC has however achieved revenue of ~Rs.62 Cr backed by healthy flow of orders received during the year majorly through large EPC players which undertakes turnkey projects of various state government entities. The firm has an unexecuted order book of ~41 Cr as of November 2023 which are further expected to be executed latest by March 2024.

Acuité believes that the ability of VCC to maintain its scale of operations while improving the profitability margins will remain a key rating sensitivity factor.

### **Weaknesses**

#### **Below average financial risk profile**

Financial risk profile of VCC is below average marked by low networth, moderate gearing and average debt protection metrics. The tangible networth of the firm stood moderated at Rs.12 Cr as on 31 March, 2023 as against Rs.15 Cr as on 31 March, 2022 due to subsequent amount of capital withdrawal made by the partners. The gearing (debt-equity) of the firm therefore stood increased at 1.59 times as on 31 March, 2023 as against 1.31 times as on 31 March, 2022 despite of reduced debt profile during the year. The gearing of the firm is however expected to improve further and remain low over the medium term in the absence of any debt funded capex. The total debt of Rs.19 Cr as on 31 March, 2023 consists of unsecured loans from related parties of Rs.14 Cr and short term bank borrowings of Rs.5 Cr.

The interest coverage ratio and DSCR stood moderated at 1.27 times and 1.20 times for FY2023 as against 1.59 times and 1.55 times for FY2022. The Net Cash Accruals to Total debt stood at 0.03 times for FY2023 as against 0.06 times for FY2022. The Total outside liabilities to Tangible net worth stood increased at 3.21 times for FY2023 as against 2.39 times for FY2022. The Debt-EBITDA ratio stood though improved, it remained high at 4.91 times for FY2023 as against 6.10 times for FY2022.

Acuité believes that the ability of VCC to improve its financial risk profile will remain a key rating sensitivity factor.

#### **Working capital intensive operations**

The working capital operations of VCC are highly intensive marked by its Gross Current Assets (GCA) of 341 days for FY2023 which has though improved, it remained high as against 470 days for FY2022. The inventory cycle of the firm stood at 16 days for FY2023 as against 5 days for FY2022 whereas the receivables cycle of the firm stood at 322 days for FY2023 as against 485 days for FY2022. The firm majorly works for state government entities like MSEDCL as well as it also caters to large EPC players which undertakes turnkey projects of various state government entities. Due to its inherent nature of the business, the receivables cycle therefore remains significantly high. This makes the company dependent on bank borrowings for its working capital requirement. The average bank limit utilisation for 6 months ended September 2023 stood at ~79 percent. On the other hand, the creditors cycle of the firm stood at 166 days for FY2023 as against 207 days for FY2022.

Acuité believes that the ability of VCC to improve and maintain an efficient working capital

cycle will remain a key rating sensitivity factor.

### **Presence in a highly competitive industry**

VCC is engaged in cables and conductors business for public and private sector companies. 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 partners have been operating in this environment for more than six decades.

### **Rating Sensitivities**

- Ability to maintain scale of operations while improving the profitability margins
- Ability to improve financial risk profile
- Ability to improve and maintain an efficient working capital cycle

### **All Covenants**

Not applicable

### **Liquidity Position - Stretched**

VCCL has stretched liquidity position marked by low net cash accruals (NCA) and working capital intensive operations. The firm generated cash accruals of upto Rs.1 Cr during FY2021 to FY2023 against no debt repayment obligation during the same period. Going forward, the NCA are expected in the range of Rs.2 Cr to Rs.3 Cr for the period FY2024-FY2025 against no debt repayment obligation during the same period. However, the working capital operations of the firm are highly intensive marked by its gross current asset (GCA) days of 341 days for FY2023. This makes the company dependent on bank borrowings for its working capital requirement. The average bank limit utilisation for 6 months ended September 2023 stood at ~79 percent. Current ratio stands at 1.81 times as on 31 March 2023. The firm has low cash & bank balance of Rs.0.02 Cr in FY2023.

Acuité believes that the liquidity of VCC is likely to improve over the medium term marked by its estimated improvement in net cash accruals (NCA) and working capital cycle.

### **Outlook: Stable**

Acuité believes that VCC will maintain 'Stable' outlook over the medium term on account of its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

### **Other Factors affecting Rating**

Not applicable

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	48.15	33.46
PAT	Rs. Cr.	0.45	0.96
PAT Margin	(%)	0.94	2.86
Total Debt/Tangible Net Worth	Times	1.59	1.31
PBDIT/Interest	Times	1.27	1.59

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

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Oct 2022	Cash Credit	Long Term	3.00	ACUITE B   Stable (Reaffirmed)
	Bills Discounting	Short Term	15.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	10.00	ACUITE B   Stable (Reaffirmed)
08 Jul 2022	Letter of Credit	Short Term	15.00	ACUITE A4 ( Issuer not co-operating*)
	Bills Discounting	Short Term	15.00	ACUITE A4 ( Issuer not co-operating*)
	Bank Guarantee	Short Term	15.00	ACUITE A4 ( Issuer not co-operating*)
	Cash Credit	Long Term	3.00	ACUITE B ( Issuer not co-operating*)
22 Sep 2021	Bills Discounting	Short Term	15.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE B   Stable (Reaffirmed)
	Bills Discounting	Short Term	2.00	ACUITE A4 (Withdrawn)
27 Jan 2021	Bills Discounting	Short Term	24.50	ACUITE A4 (Issuer not co-operating*)
	Cash Credit	Long Term	3.50	ACUITE B (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	15.00	ACUITE A4 (Issuer not co-operating*)
	Bank Guarantee	Short Term	7.00	ACUITE A4 (Issuer not co-operating*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4   Reaffirmed
Canara Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4   Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE B   Stable   Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE B   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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