



**Press Release**  
**Vardhman Cables and Conductors**  
**January 07, 2025**  
**Rating Reaffirmed and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.00	ACUITE B+   Stable   Upgraded	-
Bank Loan Ratings	25.00	-	ACUITE A4   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	48.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has upgraded its long-term rating to ‘ACUITE B+’ (read as ACUITE B Plus) from ‘ACUITE B’ (read as ACUITE B ) on the Rs.23 Cr. bank facilities and reaffirmed its short-term rating of ‘ACUITE A4’ (read as ACUITE A four) on the Rs.25.00 Cr. bank facilities of Vardhman Cables and Conductors (VCC). The outlook is ‘Stable’.

**Rationale for Rating Upgrade**

The upgrade in the rating considers long track record of operations of the firm, extensive experience of the management of over two decades in the manufacturing of cables and conductors along with improvement in the operating revenue. The revenue of the firm improved to Rs.115.82 Cr. in FY2024 against Rs.48.15 Cr. in FY2023 primarily on account of the increase in sales volume during the year. However, the operating profit margin is declined to 5.28% in FY2024 from 7.12% from FY2023 primarily on account of bad debts written off during the year. The PAT margin is improved marginally to 0.97% in FY2024 from 0.94% in FY2023. Further, the rating also considers moderate financial risk profile of the firm marked by modest net worth, moderate gearing, and debt protection metrics. However, the rating is constrained by intensive working capital operations along with high reliance on working capital limits.

Going ahead, the ability of the firm to improve overall operating performance, financial risk profile while restricting any further elongations in the working capital management will remain a key monitorable.

**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.115.82 Cr. in FY2024 as against Rs.48.15 Cr. in FY2023 showing a robust growth of ~134 percent and has achieved this on the basis of higher number 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 5.28 percent in FY2024 as against 7.12 percent in FY2023 primarily on account of bad debts written off worth Rs. 8.76 Cr. during the year. On the other hand, the net profit margin of the firm marginally improved to 0.97 percent in FY2024 as against 0.94 percent in FY2023.

In 7MFY25, VCC has achieved revenue of ~Rs.79.45 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 Rs. ~53.33 Cr. as of September 2024 which is expected to be executed in next 4-5 months.

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

### Moderate Financial Risk Profile

Financial risk profile of VCC is moderate modest net worth, moderate gearing, and debt protection metrics. The tangible network of the firm stood at Rs.14.17 Cr. as on 31 March 2024 as against Rs.12.28 Cr. as on 31 March 2023. The gearing (debt-equity) of the firm improved to 1.31 times as on 31 March, 2024 as against 1.59 times as on 31 March, 2023. The gearing of the firm is however expected to improve over the medium term in the absence of any debt funded capex. The total debt of Rs.18.52 Cr. as on 31 March, 2023 consists of unsecured loans from related parties of Rs.10.98 Cr. and short term bank borrowings of Rs.7.53 Cr. The interest coverage ratio and DSCR stood at 1.43 times and 1.29 times for FY2024 as against 1.27 times and 1.20 times for FY2023 respectively. The Net Cash Accruals to Total debt stood at 0.07 times for FY2024 as against 0.03 times for FY2023. The Total outside liabilities to Tangible net worth stood at 3.19 times for FY2024 as against 3.21 times for FY2023. The Debt-EBITDA ratio improved to 2.88 times in FY2024 against 4.91 times in FY2023.

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

### Intensive Working capital intensive operations

The working capital operations of VCC are intensive along with high reliance on bank limits. The Gross Current Asset (GCA) days improved to 162 days in FY2024, as against 341 days in FY2023. The improvement in the GCA days is primarily on account of the improvement in the inventory and debtor levels during the year. The inventory levels stood at 10 days in FY2024 when compared against 16 days in FY2023 whereas the receivables cycle of the firm stood at 153 days for FY2024 as against 322 days for FY2023. The firm majorly works for state government entities like Maharashtra State Electricity Distribution Company Limited 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 utilization of the bank limits of the firm stood high at ~99.33% for the last 6 months ending November 2024. On the other hand, the creditors cycle of the firm stood at 97 days for FY2024 as against 166 days for FY2023.

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
- Any further elongations in the working capital cycle

### **Liquidity Position Adequate**

VCC has an adequate liquidity position marked by sufficient net cash accruals against no maturing debt obligations. The firm generated cash accruals of Rs.1.30 Cr. in FY2024. The firm maintains unencumbered cash and bank balances of Rs.0.08 Cr. as on March 31, 2024. The current ratio stood at 1.51 times as on March 31, 2024. The working capital limits are intensive as evident from the high utilization of the bank limits. The bank limit utilization of the firm stood at ~99.33% for the last 6 months ending November 2024.

Going ahead, the liquidity position of the firm is expected to remain adequate in the near future on account of sufficient generation of cash accruals in the range of Rs.2.47-3.49 Cr. against no maturing debt obligation during the same period.

### **Outlook: Stable**

### **Other Factors affecting Rating** None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	115.82	48.15
PAT	Rs. Cr.	1.13	0.45
PAT Margin	(%)	0.97	0.94
Total Debt/Tangible Net Worth	Times	1.31	1.59
PBDIT/Interest	Times	1.43	1.27

**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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
15 Dec 2023	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	10.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE B   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	13.00	ACUITE B   Stable (Reaffirmed)
07 Oct 2022	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A4 (Reaffirmed)
	Bills Discounting	Short Term	15.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE B   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	10.00	ACUITE B   Stable (Reaffirmed)
08 Jul 2022	Bank Guarantee/Letter of Guarantee	Short Term	15.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Letter of Credit	Short Term	15.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Bills Discounting	Short Term	15.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	3.00	ACUITE B (Reaffirmed & Issuer not co-operating*)

## Annexure - Details of instruments rated

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

## Contacts

Mohit Jain Senior Vice President-Rating Operations	<b>Contact details exclusively for investors and lenders</b>
Sanidhya Jain Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: <a href="mailto:analyticalsupport@acuite.in">analyticalsupport@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

**Note:** None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.