Press Release

Paragon Cable India

June 28, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB**' **(read as ACUITE double B)** and short term rating of **'ACUITE A4+' (read as ACUITE A four plus)** to the Rs. 11.00 crore bank facilities of **Paragon Cable India** (PCI). The outlook is **'Stable'**.

Based in Delhi, PCI was established in 1991 by Mr. Vijay Nagpal. PCI is a partnership firm engaged in the manufacturing of low tension cables and wires with 1.10 KV grading. Further, it has an installed capacity of 6500 km per month per shift.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the PCI to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced track record of operations and experienced management**
  Established in 1991, PCI is headed by Mr. Vikas Nagpal, who has around three decades of experience and Mrs. Anjana Nagpal, who has more than a decade experience in the aforementioned line of business. The firm, thus benefits from the long term relations of the management with customers and suppliers.

- **Healthy customer relations**
  PCI has a diversified and reputed client base and caters to Government as well as private sector companies. The firm's customers include L&T, Reliance group and various government entities such as PWD and Railways to name a few.

- **Moderate financial risk profile**
  PCI has moderate financial risk profile marked by comfortable net worth, gearing (debt-to-equity), and healthy debt protection metrics. The firm's net worth stood at Rs. 8.12 crore as on March 31, 2019 (Provisional) as against Rs. 7.63 crore as on March 31, 2018. Gearing levels (debt-to-equity) stood at 0.69 times as on 31 March, 2019 (Provisional) as against 0.72 times as on 31 March, 2018. Further, the interest coverage ratio stood at 2.65 times for FY2019 (Provisional) as compared to 3.86 times for FY2018. Total outside liabilities to total net worth (TOL/TNW) stood at 0.94 times in FY2019 (Provisional) vis-à-vis 1.07 times in FY2018. Acuité believes that the financial risk profile of the firm is expected to remain moderate backed by moderate net cash accruals and in the absence of any major debt funded capex in near to medium term.

Weaknesses

- **Working capital intensive nature of operations**
  The firm's operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) of 166 days in FY2019 (Provisional) as against 145 days in FY2018. GCA days remained high mainly on account of high debtor collection period, which is 80 days in FY2019 (Provisional). Further, inventory holding period stood at 52 days in the FY2019 (Provisional). Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of the level of inventory to be maintained and the credit given to its customers.

Liquidity Position

The firm has adequate liquidity marked by comfortable net cash accruals to no maturing debt obligations. The firm generated cash accruals of Rs. 1.50 crore for FY2019 (Provisional). The cash accruals of the firm are estimated to remain in the range of around Rs. 1.66 crore to Rs. 2.16 crore during 2020-22 against no major repayment obligation. The firm's working capital operations are moderate marked by gross current asset (GCA) of 166 days for FY2019 (Provisional). The firm maintains cash and bank balances of Rs. 0.02 crore as on 31 March, 2019 (Provisional). The current ratio stood at 1.64 times as on 31 March, 2019 (Provisional). Acuitè believes that the liquidity of the firm is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that PCI will maintain a 'Stable' outlook over the medium term on the back of its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or in case of deterioration in the firm's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	25.00	26.61	24.82
EBITDA	Rs. Cr.	0.33	0.36	1.25
PAT	Rs. Cr.	1.29	2.69	1.33
EBITDA Margin	(%)	1.32	1.34	5.04
PAT Margin	(%)	5.16	10.12	5.38
ROCE	(%)	18.73	24.29	13.49
Total Debt/Tangible Net Worth	Times	0.69	0.72	0.73
PBDIT/Interest	Times	2.65	3.86	2.50
Total Debt/PBDIT	Times	2.07	1.41	2.90
Gross Current Assets (Days)	Days	166	145	189

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Up to last three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Cr.)	Ratings/ Outlook
16- Apr-2018	Cash Credit	Long Term	4.00	ACUITE BB/ Stable
	Bank Guarantee/Letter of Guarantee	Short Term	7.00	ACUITE A4+

*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	4.00	ACUITE BB/ Stable (Reaffirmed)
Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:
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