

Press Release

Paragon Cable India

August 21, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

Delhi based PCI was established in 1991 by Mr. Vikas Nagpal and Ms. Anjana Nagpal. The firm is 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 management and long track record**

PCI is promoted by Mr. Vikas Nagpal and Mrs. Anjana Nagpal. The promoters of the firm have been engaged in the transmission industry for more than two decades. The extensive experience of the promoters has helped in maintaining long relationships with its customers and suppliers, which has led to maintaining revenue profile. Further the firm has been operational since 1991, which means it has a vintage of nearly 3 decades. Acuité believes that the firm will benefit from the experience of the management and established track record in the aforementioned industry.

- **Average financial risk profile**

The financial risk profile of the firm is average marked by modest net worth, comfortable gearing and average debt protection metrics. The net worth of the firm stood low at Rs.6.81 crore as on 31 March, 2020 (Provisional) as compared to Rs.7.55 crore in the previous year. The gearing stood comfortable at 0.57 times as on 31 March, 2020 (Provisional) as compared to 0.62 times in the previous year. The total debt of Rs.3.90 crore as on 31 March, 2020 (Provisional) consists of working capital facilities of Rs.2.79 crore, unsecured loans from promoters of amount Rs. 1.03 crores and long term debt of Rs.0.09 crore. The interest coverage ratio (ICR) of the firm stood comfortable at 2.61 times in FY2020 (Provisional) as compared to 2.62 times in FY2019. The net cash accruals against the total debt stood comfortable at 0.28 times in FY2020 (Provisional) compared to 0.31 times in FY2020 (Provisional).

Weaknesses

- **Working Capital intensive nature of operations**

PCI's operations remained working capital intensive in nature as reflected by its Gross Current Asset (GCA) days of around 156 days as on March 31, 2020 (Provisional) as against 160 days in the previous year. The GCA days remain high on account of the increment in inventory levels maintained by the firm at 47 days which stood at 41 days in FY2019. The debtor collection period of the firm is around 82 days for FY2020 (Provisional) as against 93 days in the previous year. In addition to the above, the creditor payback period of PCI stands at 37 days in FY2020 (Provisional). Acuité expects the

operations of the firm to remain working capital intensive on account of high inventory level maintained by the firm.

Rating Sensitivity

- Significant improvement in the scale of operation with improvement in profitability, sustenance of the comfortable financial risk profile and improvement in working capital intensity.
- Deterioration in working capital or any major debt-funded capex

Material Covenants

None

Liquidity position: Adequate

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 moderately 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). Acuité 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 the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	20.24	26.30
PAT	Rs. Cr.	0.93	1.28
PAT Margin	(%)	4.61	4.85
Total Debt/Tangible Net Worth	Times	0.57	0.62
PBDIT/Interest	Times	2.61	2.62

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-June-2019	Cash Credit	Long Term	4.00	ACUITE BB/ Stable (Reaffirmed)

	Bank Guarantee/Letter of Guarantee	Short Term	7.00	ACUITE A4+ (Reaffirmed)
16-Apr-2018	Cash Credit	Long Term	4.00	ACUITE BB/ Stable (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	7.00	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	4.00	ACUITE BB/ Stable (Reaffirmed)
Bank Guarantee/Lett er of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+ (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Nikhilesh Pandey Rating Analyst - Rating Operations Tel: 011-4973 1304 nikhilesh.pandey@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

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