

## Press Release

### Paragon Cable India

August 21, 2020

### Rating Reaffirmed



|                                     |  |
|-------------------------------------|--|
| <b>Total Bank Facilities Rated*</b> | Rs. 11.00 crore                            |
| <b>Long Term Rating</b>             | ACUITE BB/ Outlook: Stable<br>(Reaffirmed) |
| <b>Short Term Rating</b>            | ACUITE A4+<br>(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). Acuite 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

Acuite 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/Letter of Guarantee | Not Applicable   | Not Applicable | Not Applicable | 7.00                        | ACUITE A4+ (Reaffirmed)        |

#### Contacts

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|---|--|
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#### About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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