

Press Release

Sinco Communication (India) Private Limited

D-U-N-S® Number: 86-388-9639

April 02, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (**read as ACUITE B plus**) and short term rating of '**ACUITE A4** (**read as ACUITE A four**) to the Rs. 7.00 crore bank facilities of SINCO COMMUNICATION (INDIA) PRIVATE LIMITED (SCPL). The outlook is '**Stable**'.

Incorporated in 1996, SCPL is promoted by Mr. Ved Prakash Gupta and supported by second line of management including Mr. Vinod Bansal. The company is currently engaged in the manufacture of power cables which are used for lighting and electrification purposes. The company was previously engaged in the manufacture of steel drums but has shifted its business line since 2011. They roughly process 200km of cables in one month and are currently running at a total capacity of 2000 kms per annum. Their supply is entirely domestic and consists of Aluminum Rods as their primary component. Their customers primarily include State Electricity Boards of Uttar Pradesh, Karnataka, Tamil Nadu and Uttarakhand to name a few. In addition to this, their customer base also includes corporates that are involved in infrastructure projects with State Electricity Boards.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The company is engaged in the manufacturing of power cables used for lighting and electrification purposes. The promoters of the company have over two decades of experience in this particular industry. Acuité believes that the company will benefit from its experienced management which will help maintain long standing relations with customers and suppliers.

- **Strong customer base**

The company supplies its power cables to State Electricity Boards in the states of Karnataka, Tamil Nadu, Uttar Pradesh and Uttarakhand to name a few. Its other customers include medium sized corporates also involved in infrastructure projects with the government. Acuité believes that the company will continue to benefit from its strong customer base and maintain steady revenue generation in the near to medium term.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile is weak marked by low gearing (debt-equity) and total outside liabilities to total net worth (TOL/TNW). The gearing stood at 0.42 times as on 31 March, 2018 as against 0.25 times on 31 March, 2017. TOL/TNW stood high at 0.98 times as on 31 March, 2018. The total debt of Rs. 3.11 crore consists of working capital limits as on 31 March, 2018. The net worth stood moderate at Rs.7.44 crore as on March 2018. This primarily consists of unsecured loans from promoters of Rs.6.54 crore that

has been considered as quasi-equity. Moderate net worth and high future working capital requirements are expected to keep gearing levels moderate over the near to medium term. Debt protection metrics also stood moderate with Interest coverage ratio (ICR) at 2.75 times as on March, 2018 and low net cash accrals to total debt (NCA/TD) of 0.38 times in FY2018. Acuité believes that maintaining a stable financial risk profile will be crucial for overall sustainability.

• Highly competitive and fragmented industry

The raw material (steel sheet) cost comprises ~85 per cent of the cost of sales for the company. If the company is unable to pass on the increase in raw material prices to its customers, profit margins for the company will be negatively impacted. Further, SCPL operates in a highly competitive and fragmented market with limited entry barriers. This results in the presence of large number of players in the unorganised sector, thereby limiting the bargaining power of the group with its customers. Acuité believes that established relations with suppliers will be crucial for the company for procuring its raw material.

Liquidity Position

The company has a moderate liquidity profile marked by moderate net cash accrals against no long term debt obligations. The working capital operations are stretched as marked by Gross Current Asset (GCA) days of 197 in FY2018. The company had unencumbered cash and bank balances of Rs. 0.05 crore as on March 31, 2018. The current ratio of the company stood comfortable at 1.71 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash flows from operations and no major repayments over the medium term.

Outlook: Stable

Acuité believes that the outlook on the SCPL will remain 'Stable' over the medium term on account of the experience of the promoters in the particular industry. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability while maintaining a healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a stretched working capital cycle or deterioration in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	23.16	14.46	14.18
EBITDA	Rs. Cr.	0.56	0.52	0.60
PAT	Rs. Cr.	0.17	0.17	0.14
EBITDA Margin	(%)	2.44	3.58	4.24
PAT Margin	(%)	0.75	1.19	0.98
ROCE	(%)	4.85	4.14	9.57
Total Debt/Tangible Net Worth	Times	0.42	0.25	0.51
PBDIT/Interest	Times	2.75	5.42	3.43
Total Debt/PBDIT	Times	4.50	3.32	3.82
Gross Current Assets (Days)	Days	197	207	146

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

None

Any other information

None

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 (Upto last three years)

Not Applicable

*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 B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.85	ACUITE A4
Proposed	Not Applicable	Not Applicable	Not Applicable	1.15	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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