

## Press Release

### SITARA CONDUCTORS AND CABLES PRIVATE LIMITED

November 27, 2017



#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 6.40 Cr.
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+** (read as SMERA B plus) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 6.40 crore bank facilities of SITARA CONDUCTORS AND CABLES PRIVATE LIMITED. The outlook is '**Stable**'.

Sitara Conductors and Cables Private Limited (SCCPL), a West Bengal based company was established in 1986 as a proprietorship firm and changed to private limited subsequently. The company, led by Directors, Mr.Nirmal Kumar Mukim, Mrs. Alka Devi Mukim, is engaged in the manufacture of aluminium conductors and cables used for power distribution. The day-to-day operations are managed by Mr. Nirmal Kumar Mukim. The manufacturing capacity stands at 1850 metric tons per annum.

#### Key Rating Drivers

##### Strengths

- **Experienced management and reputed client base**

Mr. Nirmal Kumar Mukim has over three decades of experience in the conductors and cables industry. He is joined by his son, Mr. Vikash Mukim with four years of experience. The long standing presence in the industry has helped the management establish long term relations with government entities such as North Bihar Power Distribution Co. Ltd., Calcutta Electricity Supply Co, Railways, Eastern Coalfields Ltd, Eastern Railways to name a few..

##### Weaknesses

- **Modest scale of operations**

SCCPL has modest scale of operations with revenue of around Rs.13.83 crore in FY2017 and Rs.14.77 crore in FY2016. Further, the company registered operating income of ~Rs.3.57 crore from April -September 2017 (Provisional). The company currently has orders-in-hand of Rs.4.62 crore.

- **Moderate financial risk profile**

SCCPL has an average financial risk profile marked by low net worth of Rs.2.40 crore as on 31 March, 2017 compared to Rs.2.09 crore in the previous year. The gearing (debt-to-equity ratio) stood high at 1.97 times as on 31 March, 2017 as compared to 1.61 times in the previous year. The interest coverage ratio stood low at 1.23 times in FY2017. Further, the company is in the process of setting up another unit in Jamshedpur with 1800 metric tons per annum capacity which is expected to commence operations from December 2017. The total estimated project cost is around Rs.2.50 crore. SMERA believes that the debt funded capex plan is likely to keep the gearing at high levels.

- **Working capital intensive operations**

The operations are working capital intensive marked by high GCA of 157 days in FY2017 as against 167 days for FY2016. The GCA days are high on account of high debtors of 113 days and inventory holding of 44 days.

## Analytical Approach

SMERA has considered the standalone business and financial risk profile of SCCPL.

## Outlook: Stable

SMERA believes that SCCPL is expected to maintain a stable outlook on account of its experienced management and healthy relations with clients. The outlook may be revised to 'Positive' in case the company is able to demonstrate significant improvement in its scale of operations while maintaining profitability and managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of elongation of working capital cycle or sharp decline in net cash accruals leading to deterioration in the debt protection indicators.

## About the Rated Entity - Key Financials

For FY2016-17, SCCPL, reported Profit after Tax (PAT) of Rs.0.05 crore on operating income of Rs.13.83 crore compared with PAT of Rs.0.05 crore on operating income of Rs.14.77 crore in the previous year. The net worth stood at Rs.2.40 crore as on 31 March, 2017 compared to Rs.2.09 crore in the previous year.

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

none

## Any other information

none

## Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

## Note on complexity levels of the rated instrument

<https://www.smera.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	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.40	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4

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## ABOUT SMERA

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