

Press Release

SITARA CONDUCTORS AND CABLES PRIVATE LIMITED

November 27, 2017

Rating Assigned



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

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

Debalina Maity Analyst - Rating Operations Tel: 022-67141363 debalina.maity@smera.in	
--	--

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*