

February 05, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	22.00	SMERA BB/Stable (Assigned)
Bills Negotiation (under Letter of Credit)	1.50	SMERA A4+ (Assigned)
Letter of Credit	3.00	SMERA A4+ (Assigned)
Bank Guarantee	3.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the above-mentioned bank facilities of Chandresh Cables Limited (CCL). The outlook is '**Stable**'. The ratings are constrained by the company's working capital-intensive operations amidst intense competition prevalent in the cables and wire industry. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in prices of raw material. However, the ratings are supported by the company's established track record of operations, experienced management, reputed clientele and healthy revenue growth.

CCL, established in 1981, is a Gujarat-based company engaged in manufacturing and trading of low-tension cables, household wires and instrumentation cables. CCL operates in a highly competitive industry. The company's operations are working capital-intensive as it offers liberal credit terms to customers, while paying suppliers in advance. CCL's working capital cycle is thus stretched at 96 days in FY2012-13 (refers to financial year, April 01 to March 31).

CCL's profitability is susceptible to volatility in prices of key raw materials, which include copper and aluminium. The company's net profit margin is low at 0.68 per cent in FY2012-13. CCL's leverage is high at 2.67 times as on March 31, 2013. However, the company's total debt (of Rs.29.87 crore as on March 31, 2013) includes interest-bearing unsecured loans of Rs.7.28 crore, which are subordinated to bank debt. CCL's interest coverage ratio is low at 1.43 times in FY2012-13.

CCL benefits from its experienced management. Mr. Rajendra Jain, Managing Director of CCL, has around 25 years of experience in the cables and wire industry. CCL has a reputed clientele. The company is an approved vendor for Larsen & Toubro Ltd, BHEL, Reliance Industries Ltd. and Mumbai Port Trust. CCL registered healthy revenue growth of 16 per cent (compound annual growth rate) over FY2008-09 to FY2012-13. The company's revenues increased from Rs. 87.24 crore in FY2011-12 to Rs.106.63 crore in FY2012-13 due to higher offtake of copper wires. Further, the company registered revenues of ~Rs.68.00 crore during April 2013 to September 2013.

CCL is setting up a facility for manufacturing high tension wires. The project will be entirely funded through promoter's funds and internal accruals.

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Outlook: Stable

SMERA believes that CCL will continue to benefit over the medium term from its established presence in the cables and wires industry. The company will also benefit from its long-standing association with reputed customers. The outlook may be revised to 'Positive' in case the company continues to registers healthy growth in sales volumes, while achieving better profit margins and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability amidst intensifying competition, or in case of deterioration in the company's financial risk profile due to higher-than-expected increase in debt-funded working capital requirements. Successful execution of the ongoing project and its subsequent impact on the company's financial profile is a key rating sensitivity.

About the company

CCL (formerly known as Baakra Cables Limited) was established in 1981 by Mr. Parasmal Jain, Mr. Tejraj Jain and Mr. Pukhraj Bafna.

CCL is an ISO 9001:2008 certified company engaged in manufacturing and trading of low tension cables, household wires and instrumentation cables. CCL sells its product under the registered brand name 'Avocab'. The company is also involved in generation of wind power. CCL has a manufacturing unit in Kalol (Gujarat), with an installed capacity of 24,000 MTPA. The overall operations of the company are managed by Mr. Rajendra Jain, Mr. Khimraj Balar, Mr. Amit Jain, Mr. Abhivandan Lodha and Mr. Ankit Lodha.

For FY2012-13, CCL reported PAT of Rs.0.72 crore on operating income of Rs.106.63 crore, as compared with PAT of Rs.0.46 crore on operating income of Rs.87.24 crore for FY2011-12. CCL's net worth stood at Rs.11.19 crore as on March 31, 2013, as compared with Rs.8.70 crore a year earlier.

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