

July 07, 2015

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

SMERA has upgraded the long-term rating assigned to the Rs.22.00 crore bank facilities of Chandresh Cables Limited (CCL) to **'SMERA BB+' (read as SMERA double B plus)** from **'SMERA BB'**. The outlook is **'Stable'**. The short-term rating is reaffirmed at **'SMERA A4+' (read as SMERA A four plus)**. The upgrade is in view of improvement in margins and financial risk profile of the company. The ratings continue to draw comfort from the company's reputed clientele, established track record of operations and experienced management. However, the ratings are constrained by the susceptibility of the company's profit margins to raw material price volatility. The ratings also factor in risks related to the company's working capital-intensive operations amidst intense competition in the cables and wire industry.

Update

CCL reported net profit of Rs.0.79 crore on operating income of Rs.113.82 crore in FY2013-14, as compared with net profit of Rs.0.73 crore on operating income of Rs.106.63 crore in the previous year. Further, the company registered net profit of Rs.1.19 crore (provisional) on operating income of Rs.120.47 crore (provisional) for FY2014-15. CCL's net worth stood at Rs.11.86 crore as on March 31, 2014, as compared with Rs.11.19 crore a year earlier.

CCL has registered improvement in operating margins over the last two years from 5.03 per cent in FY2012-13 to 5.62 per cent in FY2013-14. For FY2014-15, the operating profit margin was 5.70 per cent (provisional). In FY2014-15, the company set up capacity to manufacture high tension wires (upto 33kV) at a project cost of Rs.4.00 crore funded by bank debt and own funds in the ratio of 1:1. The commercial operations in the same commenced from April 2015.

CCL's financial risk profile is reflected in the gearing (debt-equity ratio) of 2.06 times (provisional) as on March 31, 2015 as against 3.03 times as on March 31, 2014. The company's total debt of Rs.26.93 crore (provisional figure as on March 31, 2015) includes interest-bearing unsecured loans of Rs.5.13 crore which is subordinated to bank debt. Considering the same as quasi equity, the gearing improves to 1.19 times as on March 31, 2015. CCL's interest coverage ratio stands at 1.41 times (provisional) for FY2014-15.

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 stands at around 90 – 100 days. Average utilisation of working capital facilities

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is 84.53 per cent for six months ended April 2015. CCL's profitability is susceptible to volatility in prices of key raw materials, which include copper and aluminium.

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. Besides, the company has a reputed clientele and is an approved vendor for Larsen & Toubro Ltd, BHEL, Reliance Industries Limited and Mumbai Port Trust.

Outlook: Stable

SMERA believes that CCL will continue to benefit over the medium term from its established presence in the cables and wires industry and association with a reputed customer base. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while maintaining its operating profitability and improving its coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the scalability amidst intensifying competition in the area of operation or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Company

CCL (the erstwhile Baakra Cables Limited) was established in 1981 by Mr. Parasmal Jain, Mr. Tejraj Jain and Mr. Pukhraj Bafna and is engaged in the manufacturing and trading of cables and wires at its unit at Kalol (Gujarat). The company has an installed capacity of 30,000 km per annum for low tension wires & household cables and 10 km per day for high tension wires. The company is ISO 9001:2008 certified and sells its products under the 'Avocab' brand name. Besides, the company is also into generation of wind power. 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.

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