

Press Release

Chandresh Cables Limited (CCL)

09 February, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.34.50 Cr
Long Term Rating	SMERA BB+/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term ratings of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the above facilities of Chandresh Cables Limited (CCL). The outlook is '**Stable**'.

CCL (the erstwhile Baakra Cables Limited) was established in 1981 by Mr. Parasmal Jain, Mr. Tejraj Jain and Mr. Pukhraj Bafna. The company is engaged in the manufacturing and trading of cables and wires at Kalol (Gujarat).

List of key rating drivers and their detailed description

Strengths:

Experienced management and established track record of operations: CCL benefits from its established track record of operations and experienced management. Mr. Rajendra Jain, Managing Director of CCL, has around 25 years of experience in the cables and wire industry.

Moderate financial risk profile: The gearing level (debt-to-equity ratio) stood at 1.38 times as on 31 March, 2016 as compared to 1.83 times as on 31 March, 2015. The net worth of the company stood at Rs.22.75 crore in FY2015-16 as compared to Rs.17.13 crore in FY2014-15. The Interest coverage ratio stood at 1.47 times for FY2015-16 as compared to 1.42 times for FY2014-15. The Debt Service coverage ratio stood at 1.27 times for FY2015-16 as compared to 1.23 times for FY2014-15.

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

Weaknesses:

Working capital intensive operations: The operations of CCL are working capital intensive. However, the working capital cycle elongated to 113 days in FY2015-16 as compared to 98 days in FY2014-15. The debtor days for CCL increased to 100 days in FY2015-16 as against 88 days in FY2014-15. The working capital intensity is on account of the competitive nature of the industry and consequently high credit period offered to customers while payments to suppliers for core raw materials like copper and aluminium are made in advance.

Competitive and fragmented industry: CCL operates in a highly competitive and fragmented cables and wires industry with limited entry barriers.

Debt funded capex: CCL plans to enhance capacity at an estimated cost of Rs.8.50 crore to be funded through a term loan of Rs.6.00 crore and balance through promoter's contribution. The commercial operations are expected to commence from April, 2017. Notwithstanding the benefits of capacity addition, the debt funded capex is likely to have an impact on the financial risk profile of the company.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of CCL.

Applicable Criteria

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

Outlook: Stable

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

About the Rated Entity

CCL was established by Mr. Parasmal Jain, Mr. Tejraj Jain and Mr. Pukhraj Bafna. The company is engaged in the manufacturing and trading of cables and wires at Gujarat. The installed capacity stands at 30,000 km per annum for low tension wires and household cables while it is 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 are managed by Mr. Rajendra Jain, Mr. Khimraj Balar, Mr. Amit Jain, Mr. Abhivandan Lodha and Mr. Ankit Lodha

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.95 crore on operating income of Rs.124.33 crore, as compared with PAT of Rs.0.68 crore on operating income of Rs.119.95 crore in FY2014-15. The net worth stood at Rs.22.75 crore as on 31 March, 2016 against Rs.17.13 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	25.00	SMERA BB+/Stable (Reaffirmed)	21 Aug, 2015	SMERA BB+/Stable (Reaffirmed)	-	-	05 Feb, 2014	SMERA BB/Stable (Assigned)
Letter of Credit	ST	5.50	SMERA A4+ (Reaffirmed)	21 Aug, 2015	SMERA A4+ (Reaffirmed)	-	-	05 Feb, 2014	SMERA A4+ (Assigned)
Bank Guarantee	ST	4.00	SMERA A4+ (Reaffirmed)	21 Aug, 2015	SMERA A4+ (Reaffirmed)	-	-	05 Feb, 2014	SMERA A4+ (Assigned)
Bills Negotiation	-	-	-	July 07, 2015	SMERA A4+ (Reaffirmed)	-	-	05 Feb, 2014	SMERA A4+ (Assigned)
Cash Credit	-	-	-	July 07, 2015	SMERA BB+/Stable (Upgraded)	-	-	-	-
Letter of Credit	-	-	-	July 07, 2015	SMERA A4+ (Reaffirmed)	-	-	-	-
Bank Guarantee	-	-	-	July 07, 2015	SMERA A4+ (Reaffirmed)	-	-	-	-

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	25.00	SMERA BB+/Stable (Reaffirmed)
Letter of Credit	N.A	N.A	N.A	5.50	SMERA A4+ (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	4.00	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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