



Press Release
Chandresh Cables Limited
September 06, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	127.61	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	25.00	ACUITE BBB Stable Upgraded	-
Bank Loan Ratings	9.50	-	ACUITE A2 Upgraded
Total Outstanding Quantum (Rs. Cr)	162.11	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) on the Rs 127.61 crore bank facilities of Chandresh Cables Limited. The outlook is '**Stable**'.

Acuite has upgraded its long-term rating to '**ACUITE BBB**' (read as **ACUITE Triple B**) from '**ACUITE B+**' (read as **ACUITE B Plus**) and its short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**ACUITE A4**' (read as **ACUITE A Four**) on the Rs. 34.50 crore bank facilities of Chandresh Cables Limited (CCL). The outlook is '**Stable**'.

Rationale for Rating

The upgrade in the rating considers healthy business risk profile, growth in operating income and profitability. The operating income stood at Rs.691.13 crore in FY2024(Prov.) against Rs.586.15 crore in FY2023. Furthermore, the rating considers moderate financial risk profile marked by moderate net worth, gearing levels and debt coverage indicators. The net worth of the company stood at Rs.106.21 crore as on 31 March 2024(Prov.) as against Rs.72.17 crore as on 31 March 2023. The rating also considers the operationalization of plant 3 in Q4FY2024 which is further expected to augment the operating income and profitability in the near term. Additionally, the overall financial risk profile is expected to improve in the near to medium term in absence in any major debt funded capex plans. However, the rating remains constrained on account of moderately intensive nature of working capital operations, and presence in competitive and fragmented industry.

About the Company

Incorporated in 1981, Chandresh Cables Limited 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. The company is based in Gujarat. The installed capacity stands at 30000 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 this, the company is also into the generation of wind power.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of CCL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management with an established track record of operations and reputed clientele

CCL has an operational track record of more than three decades. Mr. Rajendra Jain, Managing Director of the Company, has a rich experience of more than two decades in the cables and wire industry. He is ably supported by well qualified board of directors who have an experience of 10-20 years in the business. These factors have enabled CCL establishing a healthy relationship with reputed clienteles like - Adani Green Energy Limited, Vedanta Limited Aluminium & Power, Siemens Limited amongst the others.

Acuité believes that CCL will continue to benefit from its experienced management with an established track record of operations, and the reputed clientele.

Moderate financial risk profile

CCL has a moderate financial risk profile marked by moderate net worth, gearing levels and debt coverage indicators. The tangible net worth of the company stood at Rs.106.21 crore as on 31 March 2024(Prov.) as against Rs.72.17 crore as on 31 March 2023. Furthermore, Unsecured Loan from Promoter of Rs.13.55 Cr. is subordinated to bank borrowings and has been classified as quasi equity. The gearing level of the company stood at 1.35 times as on 31 March 2024(Prov.) as against 1.69 times as on 31 March 2023. The total debt of the company stood at Rs.143.07 crore as on March 31, 2024(Prov.). Interest Coverage Ratio (ICR) stood at 3.89 times for FY24(Prov.) against 3.57 times for FY23. Debt Service Coverage Ratio (DSCR) stood at 2.69 times for FY24(Prov.) against 2.32 times for FY23. The total outside liabilities to tangible net worth (TOL/TNW) of the company improved and stood at 1.68 times as of March 31, 2024(Prov.) as against 2.23 times as of March 31, 2023. The Debt/EBITDA levels stood at 2.16 times as of March 31, 2024(Prov.) as against 3.04 times as of March 31, 2023. The capital structure and debt servicing indicators are anticipated to improve in near to medium terms as there are no significant capital expenditure plans in the near future, aside from regular maintenance activities.

Weaknesses

Moderately Intensive Working Capital Management

CCL is having a moderately intensive working capital management as evident from Gross Current Asset (GCA) of 114 days as on March 31, 2024(Prov.) as against 105 days as on March 31, 2023. The inventory levels stood at 48 days for FY24(Prov.) as compared against 28 days for FY23. The company holds an inventory level for a period of 45 to 60 days as per the manufacturing process requirements. The debtor days stood at 67 days for FY24(Prov.) against 74 days for FY23. The creditor days stood at 13 days for FY24(Prov.) against 22 days for FY23. The company receives credit period of 15-25 days from its suppliers. The average utilization of the bank limits of the company stood moderate at ~85.91 % in last 12 months ended March 24.

Acuité believes that the ability of CCL to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Rating Sensitivities

- Ability to improve the scale of operations while maintaining the profitability margins
- Ability to improve and maintain an efficient working capital cycle

Liquidity Position

Adequate

CCL has an adequate liquidity position marked by sufficient net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.37.84 crore in FY24(Prov.) compared against Rs.3.38 crore maturing debt obligation over the same period. The company maintained unencumbered cash and bank balances of Rs.0.02 crore as on March 31, 2024(Prov.). The current ratio stood at 1.45 times as on March 31, 2024(Prov.). The working capital operations of the company are moderately intensive in nature with GCA days of 114 days in FY2024(Prov) with moderate reliance on working capital limits.

Going ahead, liquidity position is expected to remain adequate on account of generation of sufficient cash accruals for repayment of its debt obligations.

Outlook: Stable

Acuité 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' in case of higher than expected increase in scale of operations while maintaining the profitability margins, capital structure, improving the coverage indicators and working capital management. Conversely, the outlook may be revised to 'Negative' if the company registers lower than expected scale of operations and profitability or if the financial risk profile deteriorates owing to higher than-expected increase in debt levels due to increased working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	691.13	586.15
PAT	Rs. Cr.	34.04	18.83
PAT Margin	(%)	4.93	3.21
Total Debt/Tangible Net Worth	Times	1.35	1.69
PBDIT/Interest	Times	3.89	3.57

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Jun 2024	Cash Credit	Long Term	25.00	ACUITE B+ (Downgraded & Issuer not co-operating* from ACUITE BB-)
	Letter of Credit	Short Term	5.50	ACUITE A4 (Downgraded & Issuer not co-operating* from ACUITE A4+)
	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A4 (Downgraded & Issuer not co-operating* from ACUITE A4+)
14 Mar 2023	Cash Credit	Long Term	25.00	ACUITE BB- (Reaffirmed & Issuer not co-operating*)
	Letter of Credit	Short Term	5.50	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
16 Dec 2021	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Letter of Credit	Short Term	5.50	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	25.00	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A2 Upgraded (from ACUITE A4)
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB Stable Upgraded (from ACUITE B+)
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE BBB Stable Assigned
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	29.95	ACUITE BBB Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.50	ACUITE A2 Upgraded (from ACUITE A4)
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.50	ACUITE BBB Stable Assigned
HSBC	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB Stable Assigned
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2027	Simple	28.94	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Oct 2024	Simple	0.29	ACUITE BBB Stable Assigned
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Jan 2025	Simple	1.93	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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