

April 15, 2014

Facility	Amount (Rs. Crore)	Rating
Cash Credit	22.00*	SMERA BB/Stable (Assigned)

*\*Includes sublimit of ILC/FLC to the extent of Rs.3.00 crore*

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) to the above-mentioned bank facility of Plaza Wires Private Limited (PWPL). The outlook is '**Stable**'. The rating is supported by the company's moderate financial risk profile, comfortable liquidity position and experienced management. However, the rating is constrained by the susceptibility of the company's profit margins to raw material price volatility and intense competition prevalent in the cables and wires industry.

PWPL (formerly known as Navratna Wires Private Limited) is a Delhi-based company engaged in manufacturing of housing cables and wires since 2006. PWPL's moderate financial risk profile is marked by leverage (debt-to-equity ratio) of 1.17 times as on March 31, 2013 and interest coverage ratio of 1.51 times in FY2012-13 (refers to financial year, April 01 to March 31). The company has a comfortable liquidity position, as evidenced by moderate average utilisation (78 per cent) of cash credit limit during August 2013 to January 2014. PWPL benefits from its experienced management. Mr. Sanjay Gupta, managing director of PWPL, has 24 years of experience in the cables and wires industry.

PWPL faces intense competition from several players in the unorganized segment of the cables and wires industry.

PWPL's raw material cost as a proportion of total operating cost is ~80 per cent. The firm's profit margins are thus highly susceptible to volatility in prices of raw material (copper and polyvinyl chloride resins).

#### **Outlook: Stable**

SMERA believes the outlook on PWPL's rated facility will remain stable over the medium term on account of the company's experienced management and established customer relations. The company's ability to expand its scale of operations without compromising on profitability and liquidity position will be a key rating sensitivity. The outlook may be revised to 'Negative' in case of sharp decline in the company's profit margins. The outlook may be revised to 'Positive' in case the company demonstrates higher-than-expected growth in revenues while maintaining a comfortable liquidity position and achieving improvement in financial risk profile.

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**About the company**

PWPL (formerly known as Navratna Wires Private Limited) is a Delhi-based company incorporated in 2006. PWPL is a part of the Plaza Cables Group of Companies, established by Mr. Bhim Sain Gupta in 1934.

PWPL has a manufacturing unit in Baddi (Himachal Pradesh), with total installed capacity of 0.10 crore coils per annum. The current operations of the company are managed by Mr. Sanjay Gupta and Mrs. Sonia Gupta.

For FY2012–13, PWPL reported PAT of Rs.0.77 crore on operating income of Rs.95.18 crore, as compared with PAT of Rs.0.61 crore on operating income of Rs.80.51 crore for FY2011–12. The company's net worth stood at Rs.15.22 crore as on March 31, 2013, as compared with Rs.14.41 crore a year earlier. As per provisional financials, PWPL reported revenue of Rs.85.02 crore during April 2013 to January 2014.

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