



Press Release

Ultracab (India) Limited (UIL)

November 28th, 2024

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	22.49 (Reduced from Rs.23.07 crore)	IVR BBB-/ Stable [IVR Triple B Minus with Stable Outlook]	IVR BB+/ Stable [IVR Double B Plus with Stable Outlook]	Upgraded	Simple
Short term Bank Facilities	21.50	IVR A3 [IVR A Three]	IVR A4+ [IVR A Four Plus]	Upgraded	Simple
Short term Bank Facilities	0.30	IVR A3 [IVR A Three]	--	Assigned	
Total	Rs. 44.29 crore (Rupees Forty-Four Crore and Twenty-Nine Lakhs Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has upgraded the rating assigned to the bank facilities of UIL sustained improvement in revenue and profitability during FY24 and 1HFY25, comfortable capital structure, moderate order book and support from experienced promoters. The rating strengths are, however, constrained by working capital intensive nature of business and susceptibility to volatility in raw material prices.

The Stable Outlook reflects expected stable growth in revenue and stable profitability with credit profile likely to commensurate with the current rating levels over FY25-FY27.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue and profitability while maintaining current debt protection metrics and generation of positive cash flow from operations on a sustained basis.

Downward Factors



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- Sustained decline in revenue and profitability and/or deterioration in working capital cycle and/or any unplanned debt fund led capex leading to deterioration in credit profile and the liquidity position.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Moderate order book

As on October 31st, 2024, UIL has an unexecuted order book of Rs.170 crore (1.37x of FY24 revenue), which gives revenue visibility in the medium term and these orders is expected to get executed over FY24 and FY25. Order book consists from reputed clients which includes Maharashtra State Electricity Distribution Company Limited, Tata Power company limited amounted and Sterling and Wilson Renewable Energy Limited

Stable operating performance

UIL's revenue has increased from Rs.70.65 crore in FY21 this growth is driven by increase in volume as well as realisations. UIL has achieved revenue of Rs.109 crore till 1HFY25. UIL's EBITDA margins remained strong but marginally declined to 10.54% in FY24 (FY23:11.33%) due to higher material cost. UIL has achieved EBITDA margins of 8.49% till 1HFY25. Infomerics expects UIL's profitability to maintain similar profitability over FY25-FY27. UIL's expected to achieve revenue of Rs.200 crore in FY25 as till 6MFY25 UIL has achieved a revenue of Rs.109.00 crore. UIL consistently maintained its EBITDA margin above 10% through FY21 to FY24. However, in FY24, there was a slight decline in EBITDA margin to 10.54% (FY23:11.33%) attributed to a decrease in EBITDA per tonne. However, Infomerics expect EBITDA margins to improve further from FY25 onwards on account of product improvisation. Net profit margin also marginally declines to 4.81% in FY24 from 5.40% in FY23 due to lower EBITDA.

Comfortable capital structure

UIL's capital structure marked by overall gearing has marginally deteriorated but remains comfortable and at 1.38x in as on 31st March 2024 (31st March 2023: 1.10x), due to additional borrowings; however, Infomerics draws comfort as additional borrowings are from promoters which is unsecured in nature. Infomerics expect gearing to improve further from FY25 onwards with expected improvement in profitability, repayment of unsecured loans and no significant



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increase in long term debt in absence of capex plans. TOL/TNW also stood comfortable at 1.71x in as on 31st March 2024 (31st March 2023: 1.70x).

Extensive industry experience of the promoter

Ultracab India Limited is a listed company promoted by Mr. Nitesh Bhai Vaghasiya and Mr. Pankaj Bhai Shinghala, who have an extensive track record of more than two decades in the diverse industries of manufacturing of wires and cables.

B. Key Rating Weaknesses

Elongated working capital cycle

UIL's working capital remains elongated with the net operating cycle of 231 days at the end of FY24 (FY23: 222) mainly due to high inventory days stood at 221 days at the end of FY24 as the company needs to maintain inventory to meet the needs of its diverse customer base, which includes retail, wholesale, and dealer segments. However, they maintain the inventory to manage immediate orders to retain customers. As per management, the company receives payment in 30-60 days from the dealers.

Susceptibility to volatility in raw material prices

Raw material prices, particularly copper, constitute approximately 90% of the company's revenue, making its operating performance highly sensitive to fluctuations in copper prices. Due to the low value addition in its products, any significant changes in input costs could lead to reduced realizations, resulting in lower absorption of fixed costs and negatively impacting profitability. The company manages this price risk by placing back-to-back orders for raw materials.

Analytical Approach: Standalone



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Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity: Adequate

The liquidity profile of UIL is adequate with expected to generate gross cash accruals in the range of Rs. ~6 crore to Rs. ~20 crore as against the repayment obligation of Rs.1.65 crore to Rs.2.16 crore over FY25 and FY27. The current ratio stood at 2.86x as on March 31st,2024 (FY23: 1.62x); while quick ratio remains moderate at 0.80x (FY23: 0.28x). The average fund-based bank limit utilization in the last 12 months ended September 30th, 2024, stood at 67%, the liquidity position of the company stood adequate.

About the company

UIL incorporated in December 2007 and promoted by Mr. Nitesh Vaghasiya and Mr. Pankaj Bhai Shinghala who have an extensive track record of more than two decades in the wires and cables industry. UIL was listed on stock exchange on 2014. UIL is engaged in the business of manufacturing of electric wires and cables, plant is located in Shapar (Rajkot, Gujarat) India.

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Audited)
Total Operating Income	107.36	124.06
EBITDA	12.17	13.08
PAT	5.82	5.98
Total Debt	35.19	52.46
Tangible Net Worth	31.98	37.96
EBITDA Margin (%)	11.33	10.54
PAT Margin (%)	5.40	4.81
Overall Gearing Ratio (x)	1.10	1.38
Interest Coverage (x)	3.13	3.26

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.



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Any other information: Nil

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long term Bank Facilities	Long Term	22.49	IVR BBB-/Stable	(October 04, 2023) IVR BB+/Stable	(August 18, 2022) IVR BB+/Stable	--
2.	Short term Bank Facilities	Short Term	21.50	IVR A3	(October 04, 2023) IVR A4+	(August 18, 2022) IVR A4+	--
3.	Short term Bank Facilities	Short Term	0.30	IVR A3	--	--	--

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	--	--	March 2026	3.99	IVR BBB-/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	16.50	IVR BBB-/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	2.00	IVR BBB-/ Stable
Short Term Bank Facilities – Letter of Credit	--	--	--	12.00	IVR A3
Short Term Bank Facilities – Letter of Credit	--	--	--	5.00	IVR A3
Short Term Bank Facilities – Bank Guarantee	--	--	--	4.50	IVR A3
Short Term Bank Facilities – Loan Equivalent Risk	--	--	--	0.30	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-ultracab-nov24.pdf>



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Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.