



Press Release

DCG Cables & Wires Limited
(Erstwhile DCG Copper Industries Pvt. Ltd.)
March 04, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	15.80	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Short Term Facilities	3.00	IVR A3 (IVR A Three)	-	Assigned	Simple
Proposed Long Term Facilities	65.00	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Proposed Short Term Facilities	16.20	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	100.00 (Rupees Hundred Crore 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 Ratings has assigned its 'IVR BBB-' rating on the long-term facilities of DCG Cables & Wires Limited (DCWL) with stable outlook and its 'IVR A3' rating on the short-term facilities of DCWL. The rating assigned reflects established track record and vast experience of promoters in the copper industry, the increase in the scale of operations and risk profile and improved capital structure. The rating remains constrained by vulnerability of profitability to adverse fluctuation in raw material prices, working capital intensive nature of operation and highly fragmented & competitive nature of the sector.

Stable outlook reflects the Infomerics' belief that, firm will continue to benefit from the experienced promoter in the copper industry, established relationship with its customers, expected increase in the scale of operations and consequent improvement in financial risk profile.

Key Rating Sensitivities:



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Upward Factors

- Substantial scaling up of its operations while maintaining stable profit margins and debt protection metrics.
- Sustenance of capital structure and improvement in debt protection metrics.

Downward Factors

- Any decline in revenue and/or profitability leading to deterioration in debt protection metrics.
- Any substantial unplanned debt-funded capex undertaken by the company having material impact on the financial flexibility of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and long track record of the company**

DCWL was established on 29 September 2017 as a private company. DCWL primarily specializes in the production of bare copper strips, conductors, and wires, ensuring optimal conductivity for various applications. They also manufacture paper-covered copper conductors in both rectangular and round shapes, as well as multi-paper-covered copper conductors designed specifically for transformers. For added durability, DCWL offer fiber glass-covered copper strips and wires. On 19 August 2023 the name of the company was changed to DCG Cables & Wires Limited from earlier DCG Copper Industries Pvt. Ltd. The promoter, Mr. Devang Bhai Patel, has over one and a half decade of experience in the industry. The promoters are well supported by a team of qualified and experienced executives and consultants. Promoters' experience has helped in building cordial relationships with suppliers and customers. As on April 16, 2024, DCWL got listed on the National Stock Exchange's (NSE) SME platform. DCWL has raised a sum of Rs 49.99 crore through fresh issue of shares purpose of which was towards long term working capital utilization, capital expenditure and general corporate purposes.



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- **Increase in the scale of operations of the company and financial risk profile**

The total operating income of DCWL has increased to Rs. 101.10 crore in FY24, Rs.54.52 crore in FY23 as against Rs. 27.69 crore in FY22. EBITDA has increased by ~ 355% from Rs.0.92 crore in FY22 to Rs.3.54 crore in FY23 and Rs. 16.11 crore in FY24 on account of an increase in revenue. Accordingly, EBITDA margin has also increased from 3.31% in FY22 to 6.49% in FY23 and 15.93% in FY24. The company started its full-fledged operations from FY21 and the topline of the company has increased significantly. The company's PAT margin has improved from 1.32% in FY22 to 3.09% in FY23 and 8.75% in FY24 due to significant improvement in profitability Y-O-Y. Currently, the company is expanding its capacity with a total project outlay of Rs. 36.77 crore, wherein, amount of Rs. 25.77 crore is already incurred through promoter's contribution (i.e., internal accruals, and IPO proceeds). Out of the balance amount, Rs. 10 crore is expected to be funded by way of a term loan. Infomerics understands that the promoters will complete the project from their own sources / internal accruals in case of any delay in raising the funds from the bank.

- **Improved capital structure**

DCG Cables & Wires Limited's capital structure has remained comfortable and has improved Y-O-Y as the adjusted tangible net worth stood at Rs. 21.50 crore as on March 31, 2024, compared to Rs. 12.78 crore as on March 31, 2023, Rs. 5.43 crore as on March 31, 2022. The debt-to-equity ratio and overall gearing ratio stood at 0.35x and 1.18x respectively as on March 31, 2024. Total debt of Rs. 25.47 crore primarily comprises of term loan of Rs. 4.45 crore, Rs. 3.12 crore of unsecured loan from promoters and short-term borrowings of Rs. 17.90 crore in the form of fund-based working capital. The debt protection metrics are also adequate with interest coverage ratio of 5.52x in FY24 as against 3.62x in FY23. DSCR of the company remained adequate as well at 3.24x in FY24 from 2.53x in FY23 due to increased cash accruals. In FY2024 the ICR stood at 5.52x. Going ahead, the coverage indicators are expected to improve.

Key Rating Weaknesses

- **Vulnerability of profitability to adverse fluctuation in raw material prices**



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As portion of the raw materials for the manufacturing are mostly from the top three suppliers, the profitability of the company remains exposed to relation with these suppliers. The profitability indicators remain exposed to volatility and linkage between price movement of raw material used in production.

- **Working capital intensive nature of operation**

The operations of the company are working capital intensive as working capital remains blocked in receivables, as indicated by an average collection period of around 113 days. The average inventory holding period was 52 days in FY24 and 38 days in FY23. The operating cycle of the company has increased to 99 days in FY24 as compared to 63 days in FY22.

- **Highly fragmented & competitive nature of the sector**

The domestic transformers and conductors' market is highly crowded with the presence of many players with varied statures & capabilities. While the competition is perceived to be healthy, significant price cut by few players is a matter of serious concern as the same can dent the margins. Cable industry provides services to businesses in the infrastructure industry; hence its business operations are always subject to natural cyclicalities. Increasing consumer demand, advancements in technology, and investments from key industry players are poised to drive growth and advance innovation within the market.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

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

Liquidity – Adequate



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Liquidity position is adequate marked by sufficient cushion expected in gross accruals in the range of Rs. 22.12 crore to Rs.37.17 crore in the projected years. The average utilisation of its working capital limit is ~91% during the past 12 months ended December 2024 indicating high working capital utilization. Further, due to the nature of the business the company has almost full utilisation of its sanctioned fund based working capital limits. The current ratio was 1.33x as on March 31, 2024. The free cash and bank balance of the company stood at Rs.2.21 crore as on March 31, 2024.

About the Company

DCWL was established on 29 September 2017 as a private company with the name DCG Copper Industries Pvt. Ltd. DCWL primarily specializes in the production of bare copper strips, conductors, and wires, ensuring optimal conductivity for various applications. They also manufacture paper-covered copper conductors in both rectangular and round shapes, as well as multi-paper-covered copper conductors designed specifically for transformers. For added durability, the company offers fiber glass-covered copper strips and wires. On 19 August 2023, the name of the company was changed to DCG Cables & Wires Limited. It majorly supplies products to the transformer manufacturing companies in India.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	54.52	101.10
EBITDA	3.54	16.11
PAT	1.68	8.85
Total Debt	18.12	25.47
Adjusted Tangible Net Worth	12.78	21.50
EBITDA Margin (%)	6.49	15.93
PAT Margin (%)	3.09	8.75
Overall Gearing Ratio (x)	1.42	1.18
Interest Coverage (x)	3.62	5.52

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	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
					Date (Month xx, 20xx)	Date (Month xx, 20xx)	Date (Month xx, 20xx)
1.	Fund Based Bank Facilities – Term Loan	Long Term	0.80	IVR BBB-/ Stable	-	-	-
2.	Fund Based Bank Facilities – Cash Credit	Long Term	15.00	IVR BBB- / Stable	-	-	-
3.	Fund Based Bank Facilities – Channel Financing	Short Term	3.00	IVR A3	-	-	-
4.	Proposed Term Loan	Long Term	10.00	IVR BBB-/ Stable	-	-	-
5.	Proposed Cash Credit	Long Term	55.00	IVR BBB- / Stable	-	-	-
6.	Proposed Letter of Credit	Short Term	16.20	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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



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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	December 2027	0.80	IVR BBB-/ Stable
Cash Credit	-	-	-	-	15.00	IVR BBB- / Stable
Channel Financing	-	-	-	-	3.00	IVR A3
Proposed Term Loan	-	-	-	-	10.00	IVR BBB-/ Stable
Proposed Cash Credit					55.00	IVR BBB- / Stable
Proposed Letter of Credit					16.20	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-DCWL-mar25.pdf>



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

Annexure 4: List of companies considered for consolidated/Combined 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.

