



Press Release

Premier Cables & Conductors Private Limited

December 10, 2020

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Cash Credit	7.00	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed
Short Term Bank Facilities – Bank Guarantee	18.00	IVR A3+ (IVR A Three Plus)	Reaffirmed
Total	25.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the aforesaid ratings assigned to the bank facilities of Premier Cables and Conductors Private Limited (PCCPL) continues to derive comfort from its experienced promoters, long track record of operations and efficient working capital management. The ratings also note improvement in top line in FY20, albeit moderation in profit margins, comfortable capital structure with moderate debt protection parameters and favourable outlook of cable/conductors and wires in India. The ratings however continue to remain tempered by thin profitability of the company, exposure to price volatility risk, intense competition in the operating spectrum and cyclical nature of the industry.

Key Rating Sensitivities:

Upward factors

- Improvement in scale of operations with continuous inflow of orders and improvement in profitability leading to improvement in cash accruals on a sustained basis
- Sustenance of the capital structure with improvement in debt protection metrics

Downward factors

- More than expected moderation in the scale of operations and/or deterioration in profit margin impacting the liquidity and debt coverage indicators
- Moderation in the capital structure with overall gearing moderated to more than 1x

List of Key Rating Drivers with Detailed Description



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Key Rating Strengths

Experienced promoters and long track record

PCCPL has been engaged in aluminum conductor and wire manufacturing for more than 20 years and made an established presence in the sector. Currently, the day-to-day affairs of the company is handled by Smt. Sushila Gupta (Director) having rich experience of more than three decades in manufacturing of aluminum conductors and wires. Smt. Gupta is well supported by the other directors belonging to the family.

Efficient working capital management

The company usually procures its raw materials on advance payment or on 2-3 days credit. On the other hand, it receives prompt payment from its major customers. Further, since it follows back-to-back order policy, inventory holding also remains low. Accordingly, the operating cycle of the company remained comfortable over the past three years and stood at 5 days in FY20. (6 days in FY19). Working capital limit utilisation was moderate at an average of ~79% during the past 12 months ended on October, 2020.

Improvement in top line in FY20, albeit moderation in profit margin

The total operating income of the company increased significantly from Rs.687.55 crore in FY19 to Rs.948.66 crore in FY20 majorly on account of improvement in volume sales of wires and cables. However, the margins continued to remain thin with further deterioration in EBITDA margin from 1.01% in FY19 to 0.74% in FY20 due to decline in sales realisation. Consequently, PBT and PAT margin also declined from 0.30% and 0.20% respectively in FY19 to 0.23% and 0.17% respectively in FY20.

During H1FY21, the company achieved a top line of Rs.421.34 crore with PBT of Rs.1.72 crore.

Comfortable capital structure and moderate debt protection metrics

The capital structure continued to remain comfortable with overall gearing of 0.86x as on March 31, 2020 as against an overall gearing of 0.96x as on March 31, 2019. Interest coverage ratio improved marginally from 1.96x in FY19 to 2.10x in FY20. Total debt to GCA continued to remain moderate and improved from 5.47x in FY19 to 4.51x in FY20.

Favorable outlook of cable/conductors and wires in India



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The outlook for cable/conductors is favourable on account of continuous increase in government's focus to increase power generation capacity in the country along with reduction in Transmission and Distribution (T&D) losses and thrust on rural electrification.

Key Rating Weaknesses

Thin profitability

PCCPL operates at a thin profit margin due to its low value additive nature of operations and being a backward integration arm of conductor manufacturing industry. The EBITDA and PAT margin continued to remain thin and moderated marginally from 1.01% and 0.20% respectively in FY19 to 0.74% and 0.17% respectively in FY20.

Price volatility risk

The price of Aluminum and Aluminum alloys, the key raw materials of the company are highly volatile in nature. Thus, the margins are susceptible to input price volatility. However, the risk is mitigated to an extent due to largely back-to-back order policy of the company.

Intense competition and cyclical nature of the industry

The industry is characterized by high fragmentation mainly due to presence of a large number of organized and unorganized players. The electrical goods industry where the company operates is cyclical in nature. Its growth is intertwined with the growth of the economy at large and is dependent on government finances.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The liquidity position of the company is adequate backed by its comfortable current ratio at 1.74x as on March 31, 2020, sufficient cushion in accruals and modest cash and bank balance of Rs.1.21 Crore as on October 31, 2020. Further, the company has no long-term repayment obligation which imparts comfort. However, its average bank limit utilizations were moderately utilized to the extent of ~79% during the past 12 months ended on October, 2020 indicating a limited buffer.

About the Company



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Premier Cables & Conductors Private Limited (PCCPL) started its operations in 1995 with manufacturing of various types of aluminium conductors. Since 2007-08, it also started manufacturing of wires/cables. The manufacturing facility of the company is located at Gangapadha, in Khurda district of Odisha. Currently, PCCPL has an installed capacity of 70,000 MTPA of wires and cables. The company has an ISO 9001:2008 certification. The product profile of the company includes All Aluminium Conductors (AAC), All Aluminium Alloy Conductors (AAAC), Aluminium Conductor Steel Reinforced (ACSR), Aerial Bunched Cables (AB Cables), PVR insulated Cables, etc.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	687.55	948.66
EBITDA	6.96	7.06
PAT	1.39	1.66
Total Debt	11.56	11.62
Tangible Net worth	11.98	13.53
EBITDA Margin (%)	1.01	0.74
PAT Margin (%)	0.20	0.17
Overall Gearing Ratio (x)	0.96	0.86

*As per Infomerics' Standard

Status of non-cooperation with previous CRA:

Brickwork Ratings has moved the rating of PCCPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated July 13, 2020.

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	7.00	IVR BBB / Stable Outlook	IVR BBB / Stable Outlook (September 20, 2019)	IVR BBB / Stable Outlook (June 22, 2018)	-
2.	Bank Guarantee	Short Term	18.00	IVR A3+	IVR A3+ (September 20, 2019)	IVR A3+ (June 22, 2018)	-



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					20, 2019)	2018)	

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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



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Long Term Bank Facilities – Cash Credit	-	-	-	7.00	IVR BBB / Stable Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	18.00	IVR A3+

