



Press Release

Sri Ram Cables Private Limited

January 22, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Proposed Long Term Bank Facility	12.00	IVR BBB-/Credit Watch with Developing Implication (IVR Triple B Minus with Credit Watch with Developing Implication)	Assigned
2.	Proposed Short Term Bank Facility	28.00	IVR A3(Credit Watch with Developing Implication) (IVR A Three with Credit Watch with Developing Implication)	Assigned
	Total	40.00 (Forty Crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Sri Ram Cables Private Limited draws comfort from its experienced promoters, reputed clientele and satisfactory financial profile marked by satisfactory and improving gearing and debt protection metrics. However, these rating strengths are partially offset by its Exposure to intense competition and Deterioration in financial performance in FY20 in spite of improvement in revenues in FY19. The Rating also considers their strong understanding of local market dynamics, and healthy relationships with customers and suppliers. Rating is kept on Credit Watch with Developing Implications on account of Subdued H1FY2021 financial performance where the sales have been impacted on account of COVID-19 induced lockdown.

Key Rating Sensitivities:

Upward Factor:



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- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics

Downward factor:

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.
- Withdrawal of Unsecured loan of Rs. 7.70 Crore from the company

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

SR CPL is promoted by Mr. Sunil Garg and Mr. Anil Garg who have an experience of over three decades in the wires and cable industry. They are actively involved in managing the day to day operations of the company along with the support of other Directors who also have adequate experience in the sector. They are supported by a team of qualified and experienced professionals.

Reputed clientele

The company's customer base consists of reputed Government companies and large private companies engaged in manufacturing of cables and conductors and electrification business as evident from the order book of the company. The repeat orders received from its clientele validates its capabilities. Though SR CPL has low bargaining power with its customers, its clientele base has sound credit risk profile, which does reduce the counter party payment risk to a certain extent. The top five customers comprise of ~47% of the sales in FY20 indicating a moderately diversified customer base.

Satisfactory financial profile marked by satisfactory and improving gearing and debt protection metrics:



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The capital structure remained comfortable with minimal long term debt marked by long term debt equity ratio of 0.02x and overall gearing ratio of 0.94x as on March 31, 2019. The capital structure further improved with long term debt equity ratio of 0.01x and overall gearing of 0.59x as on March 31, 2020. The debt protection parameters were satisfactory in FY19 with interest coverage ratio at 2.71x (1.86x in FY18) and total debt to GCA at 1.09x (1.79x in FY18). However, the debt protection metrics moderated in FY20 with interest coverage ratio at 2.51x and total debt to GCA of 1.65x due to decline in absolute EBITDA and GCA in FY20.

Key Rating Weaknesses

Exposure to intense competition; leading to range-bound margins

The industry is characterized by high fragmentation with a large number of unorganised players, constraining the pricing power of organised sector players. Apart from the unorganized sector, SRCPL also faces competition from the organized sector players. The EBITDA margins have remained range-bound between 4-5.5% over the last few years given the intense competition and fragmentation in the industry.

Deterioration in financial performance in FY20 in spite of improvement in revenues in FY19

Total operating income witnessed a moderation from Rs. 274 crore in FY19 to Rs. 245 crore in FY20. The reason behind the decline is sales volume of Copper conductor from 1,371 MT in FY19 to 113 MT in FY20. As a result, absolute EBITDA also showed a decline from Rs. 13.40 crore in FY19 to Rs. 10.21 crore in FY20. Consequently, the EBITDA margin also declined from 4.89% in FY19 to 4.16% in FY20. PBT and PAT margin also witnessed a declining trend from 2.66% and 2.10% respectively in FY19 to 2.02% and 1.44% respectively in FY20. During 7MFY21, the SRCPL achieved sales of Rs. 63.56 crore. SRCPL's unexecuted order book position as on October 2020 stood at around Rs. 30.15 crore which are expected to be executed over the next 2 months indicating a satisfactory near-term revenue visibility.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies



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Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

SRCPL earned a GCA of Rs. 4.92 crore in FY20 as against its repayment obligation of Rs. 0.22 crore. The company has a Current Ratio of 1.68x as of March 31, 2020. The free cash & cash equivalent was Rs. 0.45 Crore as on March 31, 2020. Liquidity is expected to remain Adequate.

About the Company

Sri Ram Cables was incorporated in 1978 by Mr. Anil Garg in Bhiwadi, Rajasthan. The company offers a comprehensive range of HT/LT-XLPE/PVC Power, Control, Jelly filled telecom cables, Signalling, Axle counter, Aerial Bunched, Instrumentation, Flexible, Mining, Fire Retardant Low Smoke, HR Insulated Cables. The company has a manufacturing facility located at Chopanki Industrial Area Bhiwadi (Rajasthan), close to Delhi having a total area of 40,000 square meters. It is an ISO 9001 & ISO 14001 certified facility to manufacture Low Voltage and High voltage cables up to and including 66 KV Voltage Grade.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	274.13	245.15
EBITDA	13.40	10.21
PAT	5.82	3.54
Total Debt	28.04	19.98
Tangible Net worth	22.70	26.23
EBITDA Margin (%)	4.89	4.16
PAT Margin (%)	2.10	1.44
Overall Gearing Ratio (x)	0.94	0.59

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable



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Any other information: Nil

Rating History for last three years:

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.	Proposed Cash Credit	Long Term	12.00	IVR BBB-/ Credit Watch with Developing Implication			
2.	Proposed LC/BG	Short Term	28.00	IVR A3 (Credit Watch with Developing Implication)			

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:

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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
Proposed Long Term Bank Facilities – Cash Credit	-	-	-	12.00	IVR BBB-/ Credit Watch with Developing Implication
Proposed Short Term Bank Facilities– LC/BG	-	-	-	28.00	IVR A3 (Credit Watch with Developing Implication)