



## Press Release

**Tirupati Conductors Private Limited**

**December 16, 2020**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Cash Credit	18.00 (Including proposed limit of Rs.5.00 crore)	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed
Short Term Bank Facilities – Bank Guarantee	12.00 (Including proposed limit of Rs.5.00 crore)	IVR A3+ (IVR A Three Plus)	Reaffirmed
<b>Total</b>	<b>30.00</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The reaffirmation of the aforesaid ratings assigned to the bank facilities of Tirupati Conductors Private Limited (TCPL) 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**

TCPL 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 Mr. Harsh Mohan Gupta (Director) having experience of about a decade in manufacturing of aluminum conductors and wires. Mr. 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 7 days in FY19 and FY20. (9 days in FY18). Working capital limit utilisation was moderate at an average of ~87% 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.681.29 crore in FY19 to Rs.873.94 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 0.63% in FY19 to 0.55% in FY20 due to decline in sales realisation. PBT and PAT margin also remain low at 0.27% (0.30% in FY19) and 0.21% (0.20% in FY19) in FY20.

During H1FY21, the company achieved a top line of Rs.388.44 crore with PBT of Rs.1.64 crore.

#### **Comfortable capital structure with 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**

TCPL 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 margin and the PAT margin of the company remained thin at 0.55% (0.63% in FY19) and 0.21% (0.20% in FY19) 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 1.57x as on March 31, 2020, sufficient cushion in accruals and modest cash and bank balance of Rs.0.91 Crore as on October 31, 2020. Further, the company has no long-term repayment obligation which imparts comfort. However, its average bank limit utilisations are on the higher side to the extent of ~87% during the past 12 months ended on October, 2020 indicating a limited buffer.

#### **About the Company**



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Tirupati Conductors Private Limited (TCPL) started its operations in 1988 with manufacturing of various types of aluminium conductors. The manufacturing facility of the company is located at Mancheswar Industrial Estate, Bhubaneswar, Odisha. Currently, TCPL has an installed capacity of 60,000 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	681.29	873.94
EBITDA	4.29	4.85
PAT	1.34	1.81
Total Debt	13.16	13.00
Tangible Net worth	11.91	13.81
EBITDA Margin (%)	0.63	0.55
PAT Margin (%)	0.20	0.21
Overall Gearing Ratio (x)	1.10	0.94

\*As per Infomerics' Standard

### Status of non-cooperation with previous CRA:

Brickwork Ratings has moved the rating of TCPL 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	18.00 (Including proposed limit of Rs.5.00 crore)	IVR BBB / Stable Outlook	IVR BBB / Stable Outlook (September 20, 2019)	IVR BBB / Stable Outlook (June 22, 2018)	-
2.	Bank Guarantee	Short Term	12.00	IVR A3+	IVR A3+	IVR A3+	-



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			(Including proposed limit of Rs.5.00 crore)		(September 20, 2019)	(June 22, 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](http://www.infomerics.com).

### Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Didwania Tel: (033) 46022266 Email: <a href="mailto:hdidwania@infomerics.com">hdidwania@infomerics.com</a>	Name: Mr. Avik Podder Tel: (033) 46022266 Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a>
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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



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	18.00 (Including proposed limit of Rs.5.00 crore)	IVR BBB / Stable Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	12.00 (Including proposed limit of Rs.5.00 crore)	IVR A3+