



## Press Release

### Prem Cables Private Limited

September 11, 2024

#### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long term Bank Facilities	65.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Short term Bank Facilities	120.00	IVR A2 (IVR A Two)	Assigned	Simple
<b>Total</b>	<b>185.00</b> <b>(One Hundred</b> <b>Eighty- Five</b> <b>Crore Only)</b>			

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

The ratings assigned to the bank facilities of Prem Cables Private Limited (PCPL) considers long track record of the company under experienced promoters, sustained growth in business performance with satisfactory financial risk profile marked by Satisfactory capital structure and moderate debt protection metrics. However, these rating strengths remain constrained due to susceptibility of its operating margin to volatility in raw material prices and finished goods, exposure to intense competition and working capital intensive nature of operation. The stable outlook reflects the expected stable business and financial risk profile of the company over the medium term based on the experience of the promoters and adequate orders in hand.

#### Key Rating Sensitivities:

##### Upward Factors

- Growth in scale of operations with improvement in profitability with consequent improvement in EBITDA margin
- Improvement in the capital structure with improvement in debt protection metrics

##### Downward Factors

- Sustained moderation in scale of operations with moderation in profitability impacting the debt coverage indicators
- Moderation in the capital structure with moderation in overall gearing to more than 2x
- Moderation in working capital cycle impacting the liquidity profile of the company

#### List of Key Rating Drivers with Detailed Description



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### Key Rating Strengths

- **Long track record of the company under experienced promoters**

Mr. Abhay Shah, Managing Director of the company, has over three decades of experience in the aluminium industry. The company was promoted by late Mr. Parasraj Shah in the year 1964. PCPL is currently engaged in manufacturing of Aluminum conductor, Aluminum wire rod and LT cables. The operation of the company has started from 1965, thus enjoying a long and proven track record of operation

- **Sustained growth in business performance**

The total operating income (TOI) of the company witnessed healthy growth over the past three fiscals from Rs.548.82 crore in FY 22(A) [FY refer to the period from April 1 to March 31] to Rs. 799.90 crore in FY 24(Prov.) driven by improvement in sales volume and favourable market demand of Aluminium conductor and wire rod. With increase in TOI, EBITDA margin and PAT margin also increased to 3.24% and 3.26% in FY 2024 (Prov.) from 3.15% and 1.55% respectively in FY23 due to increase in scale of operations resulting in better absorption of fixed overhead and other indirect cost. The absolute PAT has been increased from Rs.11.28 crore in FY 23(A) to Rs.26.96 crore in FY 24 (Prov.) mainly due to increase in non-operational income i.e. profit on sale of investments and profit on F&O trading. PCPL has already achieved revenue of Rs. 243.84 crore till June 2024. The management's ability to increase its scale of operations and overall profit margins in the medium term will be critical from credit perspective.

- **Satisfactory capital structure and moderate debt protection metrics**

The debt profile of the company comprises vehicle loans from banks, long term unsecured loans and working capital loans. The capital structure of the company remains comfortable marked by long term debt equity ratio of 0.04x and overall gearing of 0.90x as on March 31, 2024 (Prov.) as against long term debt equity ratio of 0.12x and overall gearing of 0.97x as on March 31, 2023. Total indebtedness as reflected by TOL/TNW also stood comfortable at 1.08x as on March 31, 2024 (Prov.) The debt coverage indicators of the company remained moderate over the years marked by interest coverage of 1.42x in FY2024 (Prov.) [1.65x in FY2023]. Besides, Total debt to EBITDA and Total debt to GCA also stood moderate at 6.87x and 5.97 years respectively as on March 31,2024 (Prov.).

### Key Rating Weaknesses



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- **Susceptibility of operating margin to volatility in raw material prices and finished goods.**

Since the raw material is the major cost driver (constituting about 70-80% of total revenue) and with raw material prices being volatile in nature, the profit margins of the company remain susceptible to fluctuation in raw material prices (though the prices of finished goods move in tandem with raw material prices, there is a time lag). Further, finished aluminium prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.

- **Exposure to intense competition.**

The aluminium conductor industry is characterized by intense competition across the value chain due to low product differentiation, and as well as bargaining power with majority of the customers being large, organized players in the power transmission business or state utilities wherein most of the procurement is done through a tendering process. The industry also faces the threat of subsidized imports of wire rods in the which also impacts the competitiveness of the domestic producers.

- **Working capital intensive nature of operation**

The operations of the company remained working capital intensive over the years mainly due to its elongated average receivables cycle. The clientele of the company is mostly government entities, realisation generally remained slow. Accordingly, the operating cycle of the company remained at about 90 days over the past years. The gross current asset days also remained moderate at around 166 days in FY24 (Prov.).

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

[Criteria on complexity.](#)

**Liquidity – Adequate**

The liquidity profile of the company is expected to remain adequate marked by sufficient cash accruals of Rs.36.00 crore- Rs.48.00 crore vis-à-vis its debt repayment obligation in the range



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of Rs. 0.39 crore - Rs. 0.54 crore during FY25-FY27. The overall gearing remained comfortable at 0.90x as on March 31, 2024 (Prov.), indicating a moderate gearing headroom. Further, the average working capital utilisation remained moderate at ~79% during the last twelve months ended June 2024 indicating adequate liquidity buffer in its working capital limits. However, resourcefulness of the promoters is expected to support the liquidity of the company.

### **About the Company**

Prem Cable Private Limited (PCPL) was incorporated in the year 1964 by late Mr. Parasraj Shah of Gujarat and presently, the second and third generation family members manage the business operations. Mr Abhay Shah, Managing Director of the company and family looks after the overall operation of the business. PCPL is registered at Gujarat and controlling office is situated at Rajasthan. The company is engaged in manufacturing of aluminium conductor, aluminium wire rods and aluminium cable with installed capacity of 25000 MT, 25000 MT and 5000 MT respectively. The commercial production of the company started from 1965 onwards.

### **Financials: Standalone**

For the year ended* / As On	(Rs. crore)	
	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Provisional</b>
Total Operating Income	720.78	799.90
EBITDA	22.70	25.88
PAT	11.28	26.96
Total Debt	169.64	177.76
Tangible Net worth	169.94	196.90
EBITDA Margin (%)	3.15	3.24
PAT Margin (%)	1.55	3.26
Overall Gearing Ratio (x)	0.97	0.90
Interest coverage Ratio	1.65	1.42

*\*Classification as per Infomerics' standards.*

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

CARE Edge Ratings has continued to classify the ratings of the bank facilities of PCPL under "ISSUER NOT COOPERATING" category, vide their press releases dated August 16, 2024, due to non receipt of information for monitoring of rating.

Brickwork Ratings has continued to classify the ratings of the bank facilities of PCPL under "ISSUER NOT COOPERATING" category, vide their press releases dated December 19, 2023, due to lack of adequate information and management corporation.



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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.	Cash Credit	Long Term	65.00	IVR BBB+ /Stable	-	-	-
2.	Letter of Credit	Short Term	120.00*	A2	-	-	-

*\*Sublimit Bank Guarantee of Rs. 120.00 crore*

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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.

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.

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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
Cash Credit	-	-	-	65.00	IVR BBB+/Stable
Letter of Credit	-	-	-	120.00*	IVR A2

*\*Sublimit Bank Guarantee of Rs. 120.00 crore*

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-PremCables-sep24.pdf>

**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 <https://www.infomerics.com>.