



Press Release

Rahul Cables Private Limited

March 17, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	80.90	IVR BBB-/Stable Outlook [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
Short Term Bank Facilities	69.10	IVR A3 [IVR A Three]	Assigned	Simple
Total	150.00 (Rupees One Hundred Fifty Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Rahul Cables Private Limited (RCPL) derives strength from experience promoters with long track record of operations along with diversified business activities, established customer and supplier base, distributorship agreements with reputed OEM's and diverse product base, modest scale of operations coupled with healthy order book position shows revenue visibility over medium term and comfortable capital structure and adequate debt protection measures. The rating is however constrained on account of working capital intensive operations, susceptibility of operating margin to fluctuations input prices, and competitive nature of Industry.

Key Rating Sensitivities:

Upward Factors

- Sustained and significant improvement in revenue and profitability
- Sustenance of the capital structure with TOL/TNW to remain below 2x and improvement in debt protection metrics with interest coverage ratio remained over 3x on a sustained basis.

Downward Factors



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- Any decline in revenue & profitability leading to deterioration in debt protection metrics with interest coverage.
- Any further stretch in working capital cycle or larger than expected debt funded capital expenditure weakening the financial risk profile

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experience promoters with long track record of operations along with diversified business activities**

The promoters have an extensive experience of over three decades in the electrical trading industry, which has enabled their deep understanding of market dynamics and established relationships with customers. Apart from this the company has diversified its business activities and undertakes engineering procurement and construction (EPC) contracts for electrification work, targeting Extra High Voltage (EHV) cables and Gas Insulated Substation (GIS) projects, the company has completed several projects in supplying and erection turnkey. Further the company also diversified its business activities into real estate sector as well as into hospitality sector.

- **Established customer and supplier base**

Being in highly competitive business, customer retention is a constant challenge for the entity to mitigate the risk, RCPL offers competitive prices and discount schemes to maintain its scale of operations. The company has reputed supplier base major suppliers being Havells India Limited, Polycab India Limited, KEC International Limited, LS Cable India Private Limited. Further, RCPL dealing with government entities coupled with reputed clienteles namely Sterling and Wilson Private Limited & Evio Private Limited.

- **Distributorship agreements with reputed OEM's and diverse product base**

RCPL has long standing agreements with and are authorized dealers for reputed OEM's such as Polycab Wires, etc. The company is one of the distributors for Polycab Wires and has been associated with them for nearly two decades. The established relationship with suppliers has enabled the company to establish a diverse product profile.



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- **Modest scale of operations coupled with healthy order book position shows revenue visibility over medium term**

Total operating income has improved by 21.22% and stood at Rs.334.40 crore in FY22 (vis-à-vis 275.86 crore in FY21) mainly on account of high valued projects executed in FY22. Further the company has outstanding order books in hand amounting to Rs.1090.72 crore as on November 15, 2022, which are likely to be executed in next 2-3 years thus providing medium term revenue visibility.

- **Comfortable capital structure and adequate debt protection measures**

The capital structure marked by overall gearing and TOL/TNW stood comfortable at 0.72 times and 1.17 times respectively as on March 31, 2022, due to healthy networth of Rs.84.84 crore in fiscal 2022 which has increase steadily over the years backed by steady accretion to reserves. Networth is expected to further improve over the medium term supported by stable demand and healthy profitability. Debt protection measures are adequate with interest coverage of 4.26 times as on March 31, 2022, which is expected to be remained at similar level backed by stable profitability.

Key Rating Weaknesses

- **Working capital intensive operations**

The operations of RCPL are working capital intensive as reflected in Gross Current Assets (GCA) of 267 days as on March 31, 2022. With most of the company's customers being large OEMs (with high bargaining power) as well as owing to the highly competitive nature of industry, the company has to extend credit of about 3 months to its customers.

The company has been dealing in different types of wires and cables and extends credit of 75-90 days to dealers / distributors and maintains an order-backed inventory. Working capital requirement is met through bank limits. As a result of the same the operating cycle remained elongated to 91 days in FY22. Further the average utilization of its working capital limit stood at ~82% during the past 12 months ended as on October 31, 2022. The working capital cycle is expected to remain a key monitorable over the medium term.



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- **Susceptibility of operating margin to fluctuations input prices**

The operating margins of RCPL are modest and have ranged between 5-7% in the previous four fiscals ended March 31, 2022. The intense competition in the electricals industry and the trading nature of business restricts the operating margins. Further margins are also susceptible to volatility in the prices of traded goods due to fluctuations in the metal prices such as aluminium, copper. The company procures raw material from majors like Polycab, LS Cables, Havells along with various traders. Any upward movements in the prices of aluminium, the primary raw material used in the manufacture of cables and conductors can have an adverse effect on the profit margins. The sustenance of operating margins remains a key monitorable over the medium term.

- **Competitive nature of Industry**

India continues to import a significant number of components every year due to the fact that there is no duty on importing components, which makes component distribution more profitable than manufacturing in the country thus explaining the fact that there are more traders than manufacturers in India. The continuous development in electronic industry has triggered the development of electrical and electronic component industry as well. So, due to these large number of small and medium scale players, the company remains exposed to the competitive pressure which puts pressure on the profitability margins.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of Rating Outlook | Infomerics Ratings](#)

[Rating Methodology on Trading Companies](#)

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

Liquidity – Adequate

The liquidity profile of the company expected to remain adequate, as the company expected to generate sufficient cash accruals in the range of ~Rs.20.00 crore to Rs.25.00 crore for its projected figures to meet its repayment obligation which are very low. The liquidity is supported by above unity current ratio as on March 31, 2022. The working capital fund-based limits are



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utilized ~82% for the twelve months' period ended December 2022. The company has adequate gearing headroom for additional debt with an overall gearing of 0.72 times as on March 31, 2022. The interest coverage ratio and DSCR is healthy with 4.26 times and 3.77 times respectively during FY22.

About the Company

Incorporated in 1998, Pune, Maharashtra-based Rahul Cables Private Limited (RCPL), promoted by Mr. Badalmal Kukreja and family. The company deals in electrical equipment primarily wires and cables. It is an authorised distributor of Polycab Wires Pvt Ltd, Havells India Ltd, Finolex Cables Ltd, and RPG Cables. Apart from this in 2008 the company has diversified its business activities and undertakes engineering procurement and construction (EPC) contracts for electrification work, targeting Extra High Voltage (EHV) cables and Gas Insulated Substation (GIS) projects, the company has completed several projects in supplying and erection turnkey.

Financials (Standalone)*:

	(Rs. Crore)	
For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	275.86	334.40
EBITDA	19.47	22.73
PAT	16.61	16.32
Total Debt	30.51	61.46
Tangible Net worth	71.47	84.84
EBITDA Margin (%)	7.06	6.80
PAT Margin (%)	6.00	4.87
Overall Gearing Ratio (times)	0.43	0.72

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

		Current Ratings (Year 2022-23)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
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1.	Fund Based – GECL	Long Term	3.25	IVR BBB- / Stable	–	–	–
2.	Fund Based – Bills Discounting	Long Term	25.00	IVR BBB- / Stable	–	–	–
3.	Fund Based – Cash Credit	Long Term	19.00	IVR BBB- / Stable	–	–	–
4.	Fund Based – Flexi Loan	Long Term	10.00	IVR BBB- / Stable	–	–	–
5.	Fund Based – Channel Financing	Long Term	23.65	IVR BBB- / Stable	–	–	–
6.	Non-Fund Based – Bank Guarantee	Short Term	69.10	IVR A3	–	–	–

Name and Contact Details of the Rating Analyst:

Name: Mr. Rupesh Dhuri Tel: (022) 62396023 Email: rupesh.dhuri@infomerics.com	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@infomerics.com
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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.



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Infomerics has a pan India presence with Head Office in Delhi, 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
Long Term – Fund Based – GECL Loan	–	–	Feb-2027	3.25	IVR BBB- / Stable
Long Term – Fund Based – Bills Discounting	–	–	–	25.00	IVR BBB- / Stable
Long Term – Fund Based – Cash Credit	–	–	–	19.00	IVR BBB- / Stable
Long Term – Fund Based – Flexi Loan	–	–	–	10.00	IVR BBB- / Stable
Long Term – Fund Based – Channel Financing	–	–	–	23.65	IVR BBB- / Stable
Short Term – Non-Fund Based – Bank Guarantee	–	–	–	69.10	IVR A3



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Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

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

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.

