



Press Release

Rahul Cables Private Limited

October 13, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	87.38 (Enhanced from Rs.80.90 crore)	IVR BBB-/Stable Outlook [IVR Triple B Minus with Stable Outlook]	Reaffirmed	Simple
Short Term Bank Facilities	89.10 (Enhanced from Rs.69.10 crore)	IVR A3 [IVR A Three]	Reaffirmed	Simple
Long Term / Short Term Bank Facilities (Proposed)	23.52	IVR BBB-/Stable Outlook / IVR A3 [IVR Triple B Minus with Stable Outlook / IVR A Three]	Assigned	Simple
Total	200.00 (Rupees Two Hundred Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in the ratings assigned to the bank loan 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.



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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 4x on a sustained basis.
- Improvement in operating cycle below 60 days leading to improved operational cash flows.

Downward Factors

- Any decline in revenue & profitability leads to deterioration in debt protection metrics with interest coverage.
- Any further stretch in the 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



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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 OMS's such as Policab Wires, etc. The company is one of the distributors for Policab 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.

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

Total operating income has improved by 37% and stood at Rs.458.94 crore in FY23 (vis-à-vis Rs.334.40 crore) mainly on account of high valued projects executed in FY23. Further the company has outstanding order books in hand amounting to Rs.836.25 crore as on July 17, 2023, 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**

RCPL has moderate networth of Rs.106.61 crore in fiscal 2023 which has increased 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 4x in FY23, 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 127 days as on March 31, 2023. With most of the company's clienteles being large OEM's (with high bargaining power) as well as owing high competition the company has to extend credit period of about 3 months. The inventory is generally maintained around 35 to 55 days as per the business requirements and to cater to client's requirements. On the other hand, the company is authorized dealer of Policab wires Pvt. Ltd., Havells India Ltd., Finolex Cables Ltd., RPG Cables and other companies, and make



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payment through channel financing facilities. As a result of the same the operating cycle remained marginally elongated at 94 days in FY23 (FY22: 91 days). This led to average utilization of its working capital limit stood at ~75% during the past 12 months ended as on July 31, 2023.

- **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, 2023. 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 for assigning rating outlook](#)

[Rating Methodology for Trading Companies](#)

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

Liquidity – Adequate



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The liquidity profile of Rahul Cables Private Limited is expected to remain adequate, as the company expected to generate sufficient cash accruals in the range of ~Rs.22.00 crore to Rs.27.00 crore for its projected figures to meet its repayment obligation which are very low. The liquidity is supported by current ratio stood 2.56x as on March 31, 2023. The working capital fund-based limits are utilized ~75% for the twelve months' period ended July, 2023. The company has adequate gearing headroom for additional debt with an overall gearing of 0.61 times as on March 31, 2023. The interest coverage ratio and DSCR remained healthy with 4.01x and 4.25x respectively during FY23.

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)*:

For the year ended / As on	(Rs. Crore)	
	31-Mar-2022 (Audited)	31-Mar-2023 (Provisional)
Total Operating Income	334.40	458.94
EBITDA	22.73	31.18
PAT	16.32	27.05
Total Debt	61.46	64.54
Tangible Net worth	84.84	106.61
EBITDA Margin (%)	6.80	6.79
PAT Margin (%)	4.87	5.82
Overall Gearing Ratio (times)	0.72	0.61

*Classification as per Infomerics standards



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Status of non-cooperation with previous CRA: Nil.

Any other information: None

Rating History for last three years:

		Current Ratings (Year 2023-24)			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 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
Press Release					17-Mar-2023	–	–
1.	Fund Based – GECL	Long Term	3.94	IVR BBB- / Stable	IVR BBB- / Stable	–	–
2.	Fund Based – LAP	Long Term	1.44	IVR BBB- / Stable	–	–	–
3.	Fund Based – Bills Discounting	Long Term	25.00	IVR BBB- / Stable	IVR BBB- / Stable	–	–
4.	Fund Based – Cash Credit	Long Term	20.00	IVR BBB- / Stable	IVR BBB- / Stable	–	–
5.	Fund Based – Flexi Loan	Long Term	10.00	IVR BBB- / Stable	IVR BBB- / Stable	–	–
6.	Fund Based – Channel Financing	Long Term	27.00	IVR BBB- / Stable	IVR BBB- / Stable	–	–
7.	Non-Fund Based – Bank Guarantee	Short Term	89.10	IVR A3	IVR A3	–	–
8.	Proposed	Long Term / Short Term	23.52	IVR BBB- / Stable / IVR A3	–		

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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.

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	3.94	IVR BBB- / Stable
Long Term – Fund Based – LAP Loan	–	–	Jan-2025	1.44	IVR BBB- / Stable
Long Term – Fund Based – Bills Discounting	–	–	–	25.00	IVR BBB- / Stable
Long Term – Fund Based – Cash Credit	–	–	–	20.00	IVR BBB- / Stable
Long Term – Fund Based – Flexi Loan	–	–	–	10.00	IVR BBB- / Stable
Long Term – Fund Based – Channel Financing	–	–	–	27.00	IVR BBB- / Stable
Short Term – Non-Fund Based – Bank Guarantee	–	–	–	89.10	IVR A3
Long Term / Short Term – Fund Based / Non-Fund Based – Proposed	–	–	–	23.52	IVR BBB- / Stable / IVR A3

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-oct23.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.