



## Press Release

### Shree Cables and Conductors Private Limited (SCCPL)

November 27, 2023

#### Ratings:

Instrument / Facility	Amount (Rs crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities – Term Loan	15.01	IVR BBB-/ Stable (IVR Triple B minus With Stable Outlook)	Assigned	Simple
Long Term Bank Facilities – Cash Credit	45.00	IVR BBB-/ Stable (IVR Triple B minus With Stable Outlook)	Assigned	Simple
Short Term Bank Facilities - Letter of Credit	7.00	IVR A3 (IVR A Three)	Assigned	Simple
Short Term Bank Facilities – Bank Guarantee	6.00	IVR A3 (IVR A Three)	Assigned	Simple
Short Term Bank Facilities – Purchase Order Funding	7.00	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>80.01</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale:

The ratings assigned to the bank facilities of Shree Cables and Conductors Private Limited continue to derive strength from its experienced management, favorable demand outlook for wires and conductors and comfortable capital structure. However, the rating strengths are partially offset by working-capital intensive operations, Profitability remains susceptible to volatility in raw material prices and Fragmented and highly competitive nature of the industry.

#### Key Rating Sensitivities:

#### Upward Factors:

- Substantial improvement in revenue and/or profitability margins leading to sustained improvement in debt coverage indicators may lead to a positive rating action.

#### Downward Factors:



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- Any deterioration in revenue and/or profitability margin leading to deterioration in debt coverage indicators may lead to a negative rating action.

### **Key Rating Drivers with detailed description:**

#### **Key Rating Strengths:**

##### **Experienced management :**

SCCPL is promoted by Mr. Kalpesh D. Parekh, who is the director of the Company. He has been associated with the conductors and wire-manufacturing business for more than two decades. The Company has therefore established relationships with reputed customers such as BHEL, Transformer And Electrical Kerala Ltd, etc.

##### **Favorable demand outlook for wires and conductors :**

The Company manufactures conductors which are primarily used in the electricity distribution/transmission sector. With a favorable outlook for the power transmission and distribution sector over the near to medium term, the Company has orders from BHEL. The Company also gets regular orders from its customers including customers with whom the company has been working for more than three decades.

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

Capital structure comprised of mainly working capital limits and significant amount of unsecured loans infused by promoters and related parties. Infomerics has considered the amount of unsecured loans as quasi equity. Capital structure of the company remains comfortable marked by moderate gearing ratio at 1.44x as on March 31, 2023 compared to 1.61x as on March 31, 2022. The interest coverage ratio remains comfortable at 1.17x as on March 31, 2023.



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### **Key Rating Weaknesses:**

#### **Working-capital intensive operations:**

Operations of the company is moderately working capital intensive as reflected in its operating cycle of 133 days as on March 31<sup>st</sup>, 2023. SCCPL's operations have remained working capital intensive due to the nature of the business, where the manufacturing cycle is long and the Company needs to maintain high inventory due to potential volatility in raw material prices. Inventory days is around 125 days as on March 31, 2023.

#### **Profitability remains susceptible to volatility in raw material prices:**

The profitability and cash flows of the Company are susceptible to substantial fluctuations in metal prices. However, as a significant portion of raw-material procurement is backed by orders, the risk is mitigated to an extent.

#### **Fragmented and highly competitive nature of the industry:**

SCCPL faces competition from a large number of players in the sector which limits its pricing flexibility and bargaining power with customers, thereby putting pressure on its margins.

#### **Analytical Approach:** Standalone

#### **Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

#### **Liquidity – Adequate**

The liquidity of the company is expected to remain Adequate in the near to medium term in view of sufficient cash accruals vis-à-vis insignificant debt repayment obligations. The operations are moderately working capital intensive which has led to high reliance on working capital limits. The fund based average working capital utilisation was at ~ 93% during the last twelve months ended August 2023. The company has a current ratio of 1.49x as of March 31, 2023. It has moderate free cash and cash equivalents amounting to Rs.2.58 crore as on March 31, 2023. All these factors reflect adequate liquidity position of the company.



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### About the Company

Shree Cable & Conductors Pvt Ltd (SCCPL) was incorporated in 1986 by Shree D.J. Parekh at Bhopal (M.P.). It has installed State of art production facility with the Continuous Transposed Conductors machine with capability of manufacturing 96 conductors. It offers a wide range of conductors, strand insulation, insulation materials and assembled CTC.

### Financials: Standalone

(Rs. crore)

For the year ended/* As On	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	191.35	183.44
EBITDA	11.19	12.20
PAT	0.67	0.87
Total Debt	59.90	55.17
Tangible Net-worth	37.16	38.29
<b>Ratios</b>		
EBITDA Margin (%)	5.85	6.65
PAT Margin (%)	0.35	0.47
Overall Gearing Ratio (x)	1.61	1.44

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Brickwork Ratings has migrated the ratings of Shree Cables and Conductors Private Limited in the 'Issuer not cooperating' category vide its press release dated July 05, 2023, due to non-availability of information and lack of cooperation

**Any other information:** Not Applicable

**Rating History for last three years:**



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Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (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
1.	Term Loan	Long Term	15.01	IVR BBB-/ Stable	-	-	-
2.	Cash Credit	Long Term	45.00	IVR BBB-/ Stable	-	-	-
3.	Letter of Credit	Short Term	7.00	IVR A3	-	-	-
4.	Bank Guarantee	Short Term	6.00	IVR A3	-	-	-
5.	Purchase Order Funding	Short Term	7.00	IVR A3	-	-	-

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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. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit [www.infomerics.com](http://www.infomerics.com).



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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
GECL 1	-	-	January 2026	5.09	IVR BBB-/ Stable
GECL 2	-	-	January 2027	3.59	IVR BBB-/ Stable
Loan Against Property	-	-	July 2029	6.33	IVR BBB-/ Stable
Cash Credit	-	-	Revolving	45.00	IVR BBB-/ Stable
Letter of Credit	-	-	-	7.00	IVR A3
Bank Guarantee	-	-	-	6.00	IVR A3
Purchase Order Funding	-	-	-	7.00	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-ShreeCables-nov23.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 based on complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).