Press Release

Ultracab (India) Limited

October 04th, 2023

Ratings

Instrument / Facility	Amount (INR crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	23.07 (Reduced from Rs.24.07 crore)	IVR BB+ / Stable Outlook [IVR Double B Plus with Stable Outlook]	Reaffirmed	Simple
Short Term Bank Facilities	21.50 (Enhanced from Rs.15.50 crore)	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Total	**44.57**	**(Rupees Forty-Four crore and fifty seven lakhs only)**		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation to the bank facilities of Ultracab (India) Limited considers progressive growth in the revenue and profitability margins during FY23. The ratings continue to derive strength from extensive industry experience of the promoter, progressive revenue growth and stable profit margins and comfortable capital structure and debt coverage indicators. However, the rating strengths are partially offset by elongated working capital cycle, highly competitive & fragmented nature of industry and exposure to volatility in raw material prices.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in scale of operation along with sustained improvement in profitability metrics thereby leading to overall improvement in cash accruals.
- Improvement in debt protection metrics.

Downward Factors

- Dip in the revenue and/or profitability and/or an increase in the gross working capital cycle or concentration risk.
- Any deterioration in working capital cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive industry experience of the promoter

Ultracab India Limited is a listed company promoted by Mr. Nitesh Bhai Vaghasiya and Mr. Pankaj Bhai Shinghala, who have an extensive track record of more than two decades in the diverse industries of manufacturing of wires and cables, and trading of cables. They are supported by a team of qualified and experienced professionals, which has helped the company to establish a healthy relationship with its customers. The company's experienced management and long track record of operations have enabled it to develop a strong reputation for quality and reliability. Ultracab India Limited is committed to providing its customers with the best possible products and services and is confident of continuing to grow and prosper in the years to come.

Progressive revenue growth and stable profit margins

UIL’s revenue has increased at CAGR of 17.5% through FY20-FY23 to Rs.107.3 crore (FY22: Rs.85.13 crore) driven by increase in volume and realisations. UIL’s volume has shown improvement driven by repetitive orders from its customers. UIL’s expects to achieve revenue of Rs.138.00 crore in FY24 on the back of expected orders from its commercial customers. EBITDA margins have been consistently in the comfortable range of 8.49% to 11.33% from FY20 to FY23. In FY23, EBITDA margins improved to 11.33%, up from 10.30% in FY22. This was due to increases in EBITDA per tonne as well as realization per tonne and increased in export sales which gives better margins. We expect EBITDA margins to remain on an improving trend through FY24-FY26, supported by demand and stable realization. Net profit margin also improved to 5.40% in FY23 from 3.68% in FY22.

Comfortable capital structure and debt coverage indicators

The company’s capital structure remains comfortable with gearing improved to 1.10x in FY23 (FY22: 1.50x) due to healthy profitability and reduction in debt; we expect gearing to improve further from FY24 onwards with expected improvement in profitability and no significant increase in long term debt in absence of capex plans. TOL/TNW also stood comfortable at

1.70x in FY23 (FY22: 2.22x). Long term debt to equity remains comfortable at 0.20x in FY23 (FY22: 0.41x). The EBITDA interest coverage ratio was 3.13x at the end of FY23, up from 2.86x in FY22. The debt service coverage ratio (DSCR) also remained comfortable and improved on a year-over-year basis to 2.23x at the end of FY23.

Key Rating Weaknesses

Elongated working capital cycle

The company's working capital remains elongated with the net operating cycle of 222 days at the end of FY23 (FY22: 263 days) due to high inventory days stood at 241 days at the end of FY23 as the company needs to maintain inventory to meet the needs of its diverse customer base, which includes retail, wholesale, and dealer segments. However, they maintain the inventory to manage immediate orders to retain customers. The operating cycle of the company though improved due to rise in its topline and improvement in debtor's recovery.

Highly competitive & fragmented nature of industry

The spectrum of the wire and cable industry in which the company operates is highly fragmented and competitive due to presence of numerous players in India owing to relatively low entry barriers. Hence, the players in the industry do not have pricing power and are exposed to the prices fixed by the industry giants. Further, the company derive around 41% of its sales in FY23 from its top five customers, indicating a moderately concentrated customer base.

Exposure to volatility in raw material prices

The principal raw materials used in the manufacturing process are copper, iron wire and insulation materials, such as PVC compounds, which are sourced domestically. The company does not have long-term agreements with any of the raw material or inputs suppliers and purchases such raw materials and inputs on spot order basis. The volatility is partly passed on by way of a periodic adjustment of selling prices of its products.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for rating Outlook]
[Rating Methodology for Manufacturing Companies]
[Financial Ratios & Interpretation (Non-Financial Sector)]

<u>Liquidity</u> – Adequate

The company has managed its working capital requirements prudently and implemented an effective receivables management system. Collection period was range bound from 40 to 70 days in the past three years ending FY23. Accordingly, its operating cycle was at 222 days in FY23 against 263 days in FY22. The working capital requirement of the company is mainly funded through bank borrowings. The company's average working capital utilization of the sanctioned bank limits at 47% in the 12 months ended August 2023, thus reflecting adequate liquidity. This coupled with the no plans for capex gives the company sufficient headroom in terms of liquidity.

<u>About the Company</u>

Ultracab India Limited incorporated in December 2007. The company has promoted by Mr. Nitesh Vaghasiya and Mr. Pankaj Bhai Shinghala who have an extensive track record of more than two decades in the wires and cables industry. Mr. Pankaj Bhai Shinghala he is the founder and chairman cum managing director of the company. The company was listed on stock exchange on 2014. The company is engaged in the business of manufacturing of electric wires and cables, plant is located in Shapar (Rajkot, Gujarat) India. They began from manufacturing of PVC wires and cables in India, and they are presently sent via several networks of dealers all over the globe. They have been active in this industry for more than 17 years as the manufacturer of electric wires and cables.

Financials (Standalone)*: **(In Crore)**

For the year ended / As on	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	85.13	107.36
EBITDA	8.77	12.17
PAT	3.14	5.82
Total Debt	39.20	35.19
Tangible Net-Worth	26.17	31.98
Ratios		
EBITDA Margin (%)	10.30	11.33
PAT Margin (%)	3.68	5.40
Overall Gearing Ratio (x)	1.50	1.10

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: CRISIL Ratings in its press release dated August 30, 2022, has reaffirm the long-term & short-term ratings for the bank loan facilities of Ultracab (India) Limited and move to "ISSUER NOT COOPERATING" category on account of non-availability of information.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstand-ing (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in (August 18, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Bank Facilities	Long Term	23.07	IVR BB+/ Stable	IVR BB+/ Stable	-	-
2.	Short Term Bank Facilities	Short Term	21.50	IVR A4+	IVR A4+	-	-

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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.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long term fund based – Term Loan	-	-	March 2026	4.57	IVR BB+ / Stable
Long term Fund based – Cash Credit	-	-	Revolving	16.50	IVR BB+ / Stable
Long term Fund based – Cash Credit	-	-	Revolving	2.00	IVR BB+ / Stable
Short term non fund based – Letter of credit	-	-	-	12.00	IVR A4+
Short term non fund based – Letter of credit	-	-	-	5.00	IVR A4+
Short term non fund based – Bank Guarantee	-	-	-	4.50	IVR A4+
Total				**44.57**	

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

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-Ultracab-oct23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

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.