

Press Release

Premier Cables and Conductors Private Limited

September 20, 2019

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Fund Based Facilities- Cash Credit	7.00	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed
Short Term Non-Fund Based Facilities- Bank Guarantee	18.00	IVR A3+ (IVR A Three plus)	Reaffirmed
Total	25.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Premier Cables and Conductors Private Limited (PCCPL) continues to derives comfort from its experienced promoters and long track record of operations, operational synergy with its associate companies and efficient working capital management. The ratings also consider its moderate capital structure with satisfactory debt protection parameters and favourable outlook of cable/conductors and wires in India. The ratings however continues to remain tempered by thin profitability, price volatility risk, intense competition and cyclical nature of the industry. Continuance of orders from Gupta Power Infrastructure Limited (GPIL), profitability and gearing level remain the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and long track record

PCCPL has been in aluminium conductor and wire manufacturing for more than 20 years and made an established presence in the sector. PCCPL is a part of the JRG group promoted by Bhubaneswar based Gupta family under the guidance of Late Shri Jagdish Rai Gupta. Currently, the day-to-day affairs of the company is handled by Smt. Sushila Gupta (Director) having rich experience of more than three decades in manufacturing of aluminum conductors and wires. Smt. Gupta is well supported by the other directors belonging to the family. The flagship company of the group is Gupta Power Infrastructure Ltd. which reported a PAT of Rs.63.15crore on total revenue of Rs.3515.46 crore in FY19 (Audited) [FY refer to the period from April 1 to March 31].

Operational synergy with associate companies

The company mainly does manufacturing for meeting requirements of Gupta Power Infrastructure Limited (GPIL), which is the flagship company of the JRG group. GPIL is an Odisha-based manufacturer of aluminium cables, conductors and house wires. It is also engaged in EPC in power transmission space. GPIL indents PCCPL for requirements of drawn wire and wire core for its use in manufacturing of conductors. On the Supply side, PCCPL obtains thin Wires of around 4-5 mm from Tirupati Conductors Private Limited (TCPL), an associate company. TCPL procures heavy wires of around 8mm and manufacture 4-5 mm wires from those heavy wires and sells the same to PCCPL. Strong order book of GIPL also provides revenue visibility to PCCPL due to their operational linkages.

Efficient working capital management

The company usually procures its raw materials on advance payment or on 2-3 days credit. On the other hand, it receives prompt payment from its major customers. Further, since it follows back to back order policy, inventory holding also remains low. Accordingly, the operating cycle of the company remained comfortable over the past three years and stood at 6 days in FY19. (6 days in FY18). Working capital limit utilisation was moderate at an average of about 88% during the 12 months ended on May, 2019.

Moderate capital structure with satisfactory debt protection parameters

PCCPL has no long-term debt in its books as on the last two account closing dates. However, the overall gearing ratio remained moderate and improved from 1.08x as on March 31, 2018 to 0.96x as on March 31, 2019. The interest coverage ratio was satisfactory at 1.67x (1.69x in FY18) and the Total debt to GCA was moderate at 5.55x in FY19 (6.91x in FY18).

Favorable outlook of cable/conductors and wires in India

The outlook for cable/conductors is favourable on account of continuous increase in government's focus to increase power generation capacity in the country along with reduction in Transmission and Distribution (T&D) losses and thrust on rural electrification.

Key Rating Weaknesses

Thin profitability

PCCPL operates at a thin profit margin due to its low value additive nature of operations. The EBITDA margin and the PAT margin of the company though remained thin, improved from

0.86% and 0.18% respectively in FY18 to 1.01% and 0.20% respectively in FY19 on account of improvement in sales realization as well as decrease in raw material cost.

Price volatility risk

The price of Aluminium and Aluminium alloys, the key raw materials of the company are highly volatile in nature. Thus, the margins are susceptible to input price volatility. However, the risk is mitigated to an extent due to largely back to back order policy of the company.

Intense competition and cyclical nature of the industry

The industry is characterized by high fragmentation mainly due to presence of a large number of organised and unorganized players. The electrical goods industry where the company operates is cyclical in nature. Its growth is intertwined with the growth of the economy at large and is dependent on government finances.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The liquidity position of the company is adequate backed by its comfortable current ratio at 1.73x as on March 31, 2019, sufficient cushion in accruals and modest cash and bank balance of Rs.2.04 Crore as on March 31,2019. Further, the company has no long-term repayment obligation which imparts comfort. However, its average bank limit utilisations are on the higher side to the extent of ~88% during the past 12 months ended on May, 2019 indicating a limited buffer.

About the Company

Incorporated in 1995, Premier Cables and Conductors Private Limited (PCCPL) is a part of Odisha based JRG group promoted by the Gupta family of Bhubaneswar under the guidance of Late Shri Jagdish Rai Gupta. The company started its operations in 1995 with manufacturing of various types of aluminium conductors. Since 2007-08, it also started manufacturing of wires/cables. The manufacturing facility of the company is located at Gangapadha, in Khurda district of Odisha. Currently, PCCPL has an installed capacity of 34207 MTPA of wires and cables. The company has an ISO 9001:2008 certification. The product profile of the company includes All Aluminium Conductors (AAC), All Aluminium Alloy Conductors (AAAC),

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Aluminium Conductor Steel Reinforced (ACSR), Aerial Bunched Cables (AB Cables), PVR insulated Cables, etc. Bhubaneswar based JRG group is one of the leading industrial group of Odisha with major interests in manufacturing of cables/conductors, edible oil, rice/flour milling, education, etc. through its various companies.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	649.33	687.55
EBITDA	5.57	6.96
PAT	1.14	1.39
Total Debt	11.41	11.56
Tangible Net worth	10.58	11.98
EBITDA Margin (%)	0.86	1.01
PAT Margin (%)	0.18	0.20
Overall Gearing Ratio (x)	1.08	0.96

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Cash Credit	Long Term	7.00	IVR BBB / Stable Outlook	IVR BBB / Stable Outlook	-	-
2.	Short Term Non-Fund Based Limits – Bank Guarantee	Short Term	18.00	IVR A3+	IVR A3+	-	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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 Bank Facilities – Cash Credit	-	-	-	7.00	IVR BBB / Stable Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	18.00	IVR A3+