

Press Release

Tirupati Conductors Private Limited

September 20, 2019

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Fund Based Facilities- Cash Credit	18.00 (including proposed limit of Rs.5.00 crore)	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed
Short Term Fund Based Facilities- Bank Guarantee / Letter of Credit	12.00 (including proposed limit of Rs.5.00 crore)	IVR A3+ (IVR A Three plus)	Reaffirmed
Total	30.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Tirupati Conductors Private Limited (TCPL) 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 moderate debt protection parameters and favourable outlook of cable/conductors and wires in India. The ratings however are tempered by weak operating margins, price volatility risk, intense competition and cyclical nature of the industry. Continuance of orders from Gupta Power Infrastructure Limited (GPIL) and Premier Cables and Conductors Private Limited (PCCPL), 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

TCPL has been in aluminium conductor and wire manufacturing for about 30 years and made an established presence in the sector. TCPL is a part of the JRG group promoted by Bhubaneswar based Gupta family under the guidance of Late Mr Jagdish Rai Gupta. Currently, the day-to-day affairs of the company are handled by Mr. Harsh Mohan Gupta (Director) having experience of about a decade in manufacturing of aluminium conductors and wires. Mr. 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.63.15 crore 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 PCCPL and GPIL. GPIL is an Odisha-based manufacturer of aluminium cables, conductors and house wires. It is also engaged in EPC in power transmission space. GPIL procures from PCCPL drawn wire and wire core for its use in manufacturing of conductors. PCCPL procures Thin Wires from TCPL. TCPL procures heavy wires from the market and manufactures thin wires from those heavy wires and sells the same to PCCPL. Strong order book of GPIL also provides revenue visibility to TCPL due to their operational linkages.

Efficient working capital management

The company usually procure 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 7 days in FY19 (9 days in FY18). Working capital limit utilisation was moderate at an average of about 86% during the 12 months ended on May, 2019.

Moderate capital structure with moderate debt protection parameters

TCPL has no long-term debt in its books as on the last three account closing dates. However, the overall gearing ratio remained moderate and deteriorated marginally from 0.90x as on March 31, 2018 to 1.01x as on March 31, 2019 due to increase in bank borrowings utilisation as on the closing date. The interest coverage ratio was satisfactory at 2.30x in FY19 (1.99x in FY17) and Total debt to GCA was moderate at 7.68x in FY19 (7.33x 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

Weak operating Margin

TCPL operates at thin profit margin due to its low value additive nature of operations. The EBITDA margin and the PAT margin of the company remained thin at 0.63% and 0.20% respectively in FY19.

Price volatility risk

TCPL has agreement with major domestic aluminum producers, for procurement of aluminum and aluminum alloys, (being the major raw material for TCPL). Moreover, it also procures its raw materials based from traders at the prevalent market prices. Since, the price of aluminum and aluminum alloys is highly volatile in nature, the margins are susceptible to input price volatility. TCPL resorts to back to back order policy to reduce the price volatility to a certain extent.

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 1.37x as on March 31, 2019, sufficient cushion in accruals and modest cash and bank balance of Rs.3.19 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 ~86% during the past 12 months ended on May, 2019 indicating a limited buffer.

About the Company

Tirupati Conductors Private Limited (TCPL) was initially established as a partnership firm by one Gupta family of Bhubaneswar in 1988. Later, it was converted into a private limited company in March, 1994. TCPL is a part of Odisha based JRG group promoted by the Gupta family of Bhubaneswar under the guidance of Late Mr Jagdish Rai Gupta. The company started its operations in 1988 with manufacturing of various types of aluminium conductors. The

manufacturing facility of the company is located at Mancheswar Industrial Estate, Bhubaneswar, Odisha. Currently, TCPL has an installed capacity of 23,190 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), 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	582.67	681.29
EBITDA	3.62	4.29
PAT	1.10	1.34
Total Debt	9.60	13.16
Tangible Net worth	10.61	11.91
EBITDA Margin (%)	0.62	0.63
PAT Margin (%)	0.19	0.20
Overall Gearing Ratio (x)	0.90	1.10

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	18.00 (including proposed limit of Rs.5.00 crore)	IVR BBB / Stable Outlook	IVR BBB / Stable Outlook	-	-
2.	Short Term Non-Fund Based Limits – Bank Guarantee	Short Term	12.00 (including proposed limit of Rs.5.00 crore)	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.

Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Didwania

Tel: (033) 46022266

Email: hdidwania@infomerics.com

Name: Mr. Avik Podder

Tel: (033) 46022266

Email: apodder@infomerics.com

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	-	-	-	18.00 (including proposed limit of Rs.5.00 crore)	IVR BBB / Stable Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	18.00	IVR A3+

				(including proposed limit of Rs.5.00 crore)	
--	--	--	--	---	--