

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Tirupati Conductors Private Limited

June 22, 2018

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities (including proposed limit of Rs.5 crore)	18	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned
Short Term Bank Facilities (including proposed limit of Rs.5 crore)	12	IVR A3+ (IVR A Three Plus)	Assigned
Total	30		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Tirupati Conductors Private Limited (TCPL) derives comfort from its experienced promoters and long track record, 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 favorable outlook of cable/conductors and wires in India. The ratings however are tempered by thin profitability, price volatility risk, intense competition and cyclical nature of the industry. Profitability and gearing level remain the key rating sensitivities.

List of Key Rating Drivers

- Experienced promoters and long track record
- Operational synergy with associate companies
- Efficient working capital management
- Moderate capital structure with moderate debt protection parameters
- Favourable outlook of cable/conductors and wires in India
- Thin profitability
- Price volatility risk
- Intense competition and cyclical nature of the industry

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Detailed Description of Key Rating Drivers

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 Shri Jagdish Rai Gupta. Currently, the day-to-day affairs of the company are handled by Shri Harsh Mohan Gupta (Director) having experience of about a decade in manufacturing of aluminium conductors and wires. Shri Gupta is well supported by the other directors, belonging to the family. The largest company of the group is Gupta Power Infrastructure Ltd. which reported a PAT of Rs.54.7 crore on total revenue of Rs.3112.4crore in FY17 (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 from TCPL Thin Wires. 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 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 10 days in FY18 (Provisional) (28 days in FY17). Working capital limit utilisation was satisfactory at an average of about 72% during the 12 months ended on March, 2018.

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Moderate capital structure with satisfactory 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 improved from 1.38x as on March 31, 2017 to 0.91x as on March 31, 2018 (Provisional). The interest coverage ratio was satisfactory at 2.04x (1.52x in FY17). Further, the Total debt to GCA improved from 18.45x in FY17 to 7.08x in FY18 driven by improved cash accruals in FY18 coupled with lower outstanding of bank borrowings as on the account closing date.

Favourable 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 fund for rural electrification.

Key Weaknesses

Thin profitability

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 0.64% and 0.21% respectively in FY18 (Provisional). Further, due to decline in sales realisations, the EBITDA margin deteriorated from 1.39% in FY17 to 0.64% in FY18.

Price volatility risk

TCPL has agreement with major domestic aluminium producers, for procurement of aluminium and aluminium 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 Aluminium and Aluminium alloys are highly volatile in nature (exhibiting an uptrend from Feb-16), 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 & Applicable Criteria:

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Rating Methodology for Manufacturing Companies

Criteria on Parent / Group Support

Financial Ratios & Interpretation (Non-financial Sector)

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 Shri 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. Currently, the company is governed by a three member Board of Directors representing the promoter's family. Currently, Shri Harsh Mohan Gupta (Director) is at the helm of affairs of the company with adequate support from the other directors.

Financials (Standalone):

For the year ended* / As On	(Rs. Crore)	
	31-03-2017 Audited	31-03-2018 Provisional
Total Operating Income	200.22	577.00
EBITDA	2.79	3.71
PAT	0.54	1.20
Total Debt	13.17	9.70
Tangible Net worth	9.52	10.72
EBITDA Margin (%)	1.39	0.64
PAT Margin (%)	0.39	0.30
Overall Gearing Ratio (x)	1.38	0.91

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

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Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Bank Facilities (including proposed limit of Rs.5 crore)	Long Term	18	IVR BBB/Stable	-	-	-
2.	Short Term Bank Facilities (including proposed limit of Rs.5 crore)	Short Term	12	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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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 (including proposed limit of Rs.5 crore)	-	-	-	18	IVR BBB/Stable
Short Term Bank Facilities (including proposed limit of Rs.5 crore)	-	-	-	12	IVR A3+