



**Rating Rationale**

**Durable Conductors & Cables**

**8 Jul 2019**

**Brickwork Ratings revises/reaffirms the ratings for the Bank Loan Facilities of ₹. 16.00 Crores of Durable Conductors & Cables.**

**Particulars**

Issue	Previous Amount (₹ Crs)	Present Amount (₹ Crs)	Tenure	BWR Rating History Aug,2018	Rating Recommended
<b>Fund Based CC (H)</b>	9.00	9.00	Long Term	<b>BWR BB-</b> (Pronounced as BWR double B minus) Outlook: Stable	<b>BWR BB-</b> (Pronounced as BWR double B minus) Outlook: Stable Reaffirmed
<b>Non-fund Based ILG</b>	6.00	7.00	Short Term	<b>BWR A4</b> (Pronounced as BWR A Four) Outlook: Stable	<b>BWR A4</b> (Pronounced as BWR A Four) Outlook: Stable Reaffirmed
<b>Total</b>	<b>15.00</b>	<b>16.00</b>	<b>INR Sixteen crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

**Ratings: Reaffirmed**

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon audited financials of Durable Conductors & Cables up to FY18, Provisional of FY19, projected financials, publicly available information and information/clarifications provided by the company's management.

The rating derives its strength from the promoters' experience and expertise in the aluminium conductors business, long relationship with clients resulting in repeat orders, improvement in topline. However, the rating continues to be constrained due to moderate scale of operations,



working capital intensive nature of operations, low profit margin and industry characterized by competition from players in the unorganized as well as organized sectors.

Going forward, the firm's ability to increase the scale of operations, improve profit margins, and efficiently manage its working capital cycle and control receivables and payable days remains the key rating sensitivities.

### **Description of Key Rating Drivers**

- **Credit Strengths:**

1. **Experience promoters:** The promoter of the firm has over 3 decades of experience in the line of business.
2. **Improvement in top line:** The firm over the past 2 financial years have been able to register a healthy sales growth of 50% on a y-o-y basis.

- **Credit Risks:**

1. **High gearing ratio:** Total debt\TNW for FY18 has increased to 5.82 times in comparison to 4.22 in FY17. The deterioration is on account of increasing short term borrowings.
2. **Low coverage ratio:** The DSCR & ISCR for FY18 stands at 0.91x & 1.41x respectively.
3. **Profit Margin :** The OPM & NPM remained at 5.03% & 1.89% in FY18.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Liquidity Profile**

The firm has no liquid investments and cash balances in FY18 is Rs. 0.03crs. Conversion Cycle stands at 93 days in FY18 which is generally considered as moderate considering the nature of industry having high inventory holding period. There is a LTB of 10.91 cr and the company has not provided us with any cash flows for the same. The company has a DSCR of 0.91X & ISCR of 1.41X in FY18. Current ratio of the company stands at 27.76X in FY18. Liquidity profile of the company is moderate with nature of the business line being the underlying factor. Imbalance in the payables and receivables will change the profile outlook.



Subsidiary / Associate Concern : NIL

**Rating Outlook: Stable**

BWR believes the **Durable Conductors & Cables** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

**About the Company**

Durable Conductors & Cables was established in the year 2010 as a proprietorship concern by Mrs. Sona Kohli. The firm is engaged in manufacturing of transmission line conductors of Sizes upto 520 Square mm with a plant in Baddi, Himachal Pradesh. The manufactured products of the firm are ACSR(Aluminium Conductor Steel-Reinforced), AAA(All Aluminium Alloys) & AA (All Aluminium) Conductors of an installed capacity of 2400 Km/Annum with an utilized capacity of ~80%. Total 25 employees are working on a permanent basis under single shift.

**Company Financial Performance**

As per the Audited Financials of FY18 the company has reported a revenue of Rs.30.18 crs with a Net profit of Rs 0.57 crs vis-a-vis Rs. 20.43 crs & Net profit of Rs.0.44 crs in FY17.

**Rating History for the last three years**

Issue	Previous Amount (₹ Crs)	Present Amount (₹ Crs)	Tenure	BWR Rating History Aug,2018	Rating Recommended
<b>Fund Based CC (H)</b>	9.00	9.00	Long Term	<b>BWR BB-</b> (Pronounced as BWR double B minus) Outlook: Stable	<b>BWR BB-</b> (Pronounced as BWR double B minus) Outlook: Stable Reaffirmed
<b>Non-fund Based ILG</b>	6.00	7.00	Short Term	<b>BWR A4</b> (Pronounced as BWR A Four) Outlook: Stable	<b>BWR A4</b> (Pronounced as BWR A Four) Outlook: Stable Reaffirmed
<b>Total</b>	<b>15.00</b>	<b>16.00</b>	<b>INR Sixteen crores Only</b>		



Status of non-cooperation with previous CRA (if applicable)-NA

**Key Financial Indicators**

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	30.18	20.43
EBITDA	₹ Cr	1.52	0.95
PAT	₹ Cr	0.57	0.44
Tangible Net worth	₹ Cr	1.84	1.55
Total Debt/Tangible Net worth	Times	5.82	4.22
Current Ratio	Times	27.76	27.63

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Manufacturing companies](#)

For any other criteria obtain hyperlinks from website

<b>Analytical Contacts</b>	<b>Investor Contacts</b>
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#### Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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