Rating Rationale

Sri Ram Cables Pvt. Ltd.

23 July 2019

Brickwork Ratings assigns the rating for bank loan facilities of Sri Ram Cables Pvt. Ltd.

Particulars

<table>
<thead>
<tr>
<th>Facility Rated</th>
<th>Amount (Rs. Crs)</th>
<th>Tenure</th>
<th>Rating Assigned^</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Based</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Credit(CC)</td>
<td>27.00</td>
<td>Long Term</td>
<td>BWR BBB- (Pronounced as BWR Triple B Minus)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Outlook: Stable</td>
</tr>
<tr>
<td>Non Fund Based</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ILC/FLC (BG)</td>
<td>45.00 (25.00)</td>
<td>Short Term</td>
<td>BWR A3 (Pronounced as BWR Single A Three)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>72.00</td>
<td>INR SeventyTwo Crores Only.</td>
<td></td>
</tr>
</tbody>
</table>

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon audited financials upto FY19, projections upto FY21, publicly available information and information/clarification provided by the management.

While assigning the rating of *Sri Ram Cables Pvt. Ltd.* (SRCPL or ‘the company’), BWR has factored in the promoter’s experience, growing top line, good order book position, improved net profit margins and debt protection metrics. The rating is, however, constrained by raw material price volatility risk and supplier concentration risk..

Going forward, the company's ability to achieve its projections, sustain the growth and profit margins would remain the key sensitivities.

Credit Strengths :

- **Experienced Promoters**: The directors of the company, Mr. Anil Garg and Mr. Sunil Garg have more than 2 decades of experience in the same line of business.

- **Improved Scale of Operations and Order Book Position**: Total operating income (TOI) of the company has improved by 63% i.e. from Rs 168.25 Cr in FY18 to Rs 274.13 Cr in
FY19. As advised by the company they have achieved revenue of Rs 75.43 Cr in 3MFY20 and currently having orders book position of Rs. 125.18 crore which is expected to be executed by November 2019.

- **Debt protection Metrics:** ISCR has improved from 1.55X in FY18 to 1.84X and DSCR has improved from 1.47X in FY18 to 1.96X in FY19.

- **Improved Net Profit margins:** SRCPL net profit margin (NPM) has improved from 0.96% in FY18 to 2.12% in FY19 on account of decrease in other expenses relatively. However operating profit margin has marginally declined from 5.71% in FY18 to 4.89% in FY19 due to increase in raw material cost.

**Credit Concerns:**

- **Susceptibility of raw materials fluctuation:** The company’s raw material cost of more than 85% is a major contributor to operating cost and any adverse change in the prices of raw materials could affect the profit margins of the company.

- **Nature of business and Supplier Concentration Risk:** Company revenue mainly comes from government entities and due to the tender base nature, there is always a risk of not getting contacts and timely payments from the government which could result in elongated receivable period. Company’s top 5 suppliers contribute approx 76% in FY18 and 65% in FY19 of the supply.

**Liquidity:**

Cash accruals (PAT+Dep) has improved from Rs 3.05 Cr in FY18 to Rs 7.26 Cr in FY19. It has cash & cash equivalent of Rs 0.35 Cr in FY19. Company has not availed any term loans and has no plans for expansion in the next 2-3 years.

**Analytical Approach:**

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

**Rating Outlook: Stable**

BWR believes the *Sri Ram Cables Pvt. Ltd.*'s 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

Sri Ram Cables Pvt. Ltd. was incorporated in Feb, 1998 with its registered address at New Delhi. The company is engaged in manufacturing of Cables i.e. HT/LT-XLPE/PVC Power, Control, Jelly filled telecom cables, Signaling, Axle counter, Aerial Bunched, Instrumentation, Flexible, Mining, Fire Retardant Low Smoke, HR Insulated Cables. It is an ISO 9001 & ISO 14001 certified facility and manufacture Low Voltage and High voltage cables up to and including 66 KV Voltage Grade. The manufacturing facility, having a total area of 40,000 square meters, is located at Chopanki Industrial Area Bhiwadi (Rajasthan). Directors of the company are Mr. Sunil Garg and Mr. Anil Garg.

Company's Financial Performance

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Units</th>
<th>FY2018 (Audited)</th>
<th>FY2019 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales/Revenue</td>
<td>Rs. Crores</td>
<td>168.25</td>
<td>274.13</td>
</tr>
<tr>
<td>EBIDTA</td>
<td>Rs. Crores</td>
<td>9.61</td>
<td>13.40</td>
</tr>
<tr>
<td>PAT</td>
<td>Rs. Crores</td>
<td>1.61</td>
<td>5.82</td>
</tr>
<tr>
<td>Tangible Net worth(A)*</td>
<td>Rs. Crores</td>
<td>20.61</td>
<td>26.47</td>
</tr>
<tr>
<td>Total Debt : TNW</td>
<td>Times</td>
<td>1.84</td>
<td>1.54</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>Times</td>
<td>1.21</td>
<td>1.34</td>
</tr>
</tbody>
</table>

*Unsecured loans considered as quasi equity.

Rating History for the last three years: (including withdrawn/suspended ratings)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Instrument / Facility</th>
<th>Current Rating (Year 2019)</th>
<th>Rating History</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Type</td>
<td>Amount (Rs Crs)</td>
<td>2018</td>
</tr>
<tr>
<td>1.</td>
<td>CC</td>
<td>27.00</td>
<td>BWR BBB-</td>
</tr>
</tbody>
</table>
### Long Term Outlook
**Pronounced as BWR Triple B Minus**
Outlook: Stable

<table>
<thead>
<tr>
<th></th>
<th>Long Term</th>
<th>(Pronounced as BWR Triple B Minus)</th>
<th>NA</th>
<th>NA</th>
<th>NA</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>ILC/FLC (BG)</td>
<td>Short Term</td>
<td>45.00</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>BWR A3 (Pronounced as BWR Single A Three)</td>
<td>(25.00)</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>72.00</td>
<td>INR SeventyTwo Crores Only.</td>
<td></td>
</tr>
</tbody>
</table>

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

### Hyperlink/Reference to applicable Criteria
- **General Criteria**
- **Approach to Financial Ratios**
- **Short Term Debt**
- **Manufacturing Companies**

### Analytical Contacts
- **RK Sharma**
  Senior Director - Ratings
  B : +91 11 2341 2232
  rksharma@brickworkratings.com

- **Raman Thakur**
  Ratings Analyst
  B : +91 11 2341 2232
  raman.t@brickworkratings.com

### Investor Contacts
- **Satish Nair**
  Director - Global Market Development & Investor Relations
  M : +91 7738875550
  B : +91 22 6745 6666
  satish.n@brickworkratings.com

1-860-425-2742

23 July 2019
For print and digital media
The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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 Investors queries can be sent to 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.

DISCLAIMER
Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reason.