

Precision Wires India Limited (Revised)

January 05, 2023

Ratings

Facilities*	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	94.73 (enhanced from 79.73)	CARE A; Positive (CARE A; Outlook: Positive)	Reaffirmed
Short-term Bank Facilities	660.00 (675.00)	CARE A1 (CARE A One)	Reaffirmed
Total Facilities	754.73 (Rs. Seven Hundred Fifty Four crore and Seventy three lakh only)		

*Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of Precision Wires India Limited (PWIL) continues to derive strength from experienced promoters, its well-established market position catering to reputed clientele in the copper winding wires industry, favorable financial risk profile, comfortable debt protection metrics along with strong liquidity.

However, the rating strengths are tempered by lower operating margins due to relatively low value addition in its products and prevalent competition in the copper winding wire industry from unorganized players. While volatility in copper prices is completely passed on the industry requires relatively higher working capital requirements.

Rating Sensitivities

Positive Factors

- Increase in total operating income above Rs. 2400 crore and absolute PBILDT above Rs. 100 crores on a sustained basis.
- Improvement in overall gearing to below 1.00x on a sustained basis.
- Decline in interest costs due to decline in total debt leading to increase in interest coverage above four times on a sustained basis.

Negative Factors

- Increase in overall gearing above 1.50x on a consistent basis on account of increase in total debt.
- Deterioration of Total Debt/PBILDT above 5x.

Outlook: Positive

The positive outlook on the long-term ratings of PWIL reflects CARE's expectation of further growth in scale of operations as well as improvement in profits in absolute terms, leading to improved returns ratios and also strong liquidity position of the company. The outlook may be revised to 'Stable' if the company is unable to achieve the envisaged revenue and profits and also if the debt coverage ratio further worsens from the current levels.

Detailed description of the key rating drivers

Key Rating Strengths

Well established and experienced promoters having rich experience in copper winding wire industry

PWIL, promoted by Mr. Mahendra Mehta, is into copper winding wire industry since 1989. Mr. Mahendra Mehta has over six decades of experience in copper winding wire industry. He along with his son Mr. Milan Mehta (Vice Chairman and Managing Director), who has been associated with PWIL since 1996, manage the overall operations of the company. Mr. Milan Mehta has over two decades of experience in managing technical and commercial aspects of company's operations. The day-to-day operations of the company are managed by a team of qualified and experienced professionals headed by Mr. Milan Mehta.

Established market position in copper winding wires industry catering to a reputed client base

PWIL continues to be leading player in the organized copper winding wires industry with a total installed capacity of 39,400 Metric Tonnes Per Annum (MTPA) as on September 30, 2022. The company caters to various reputed Original Equipment Manufacturing (OEM) companies in India and globally. By virtue of servicing these OEMs, the company has developed long-term business relationship. These OEMs are majorly in power, auto, consumer durables, transformers, construction industries etc. PWIL also caters to retail/ replacement demand through its branches and agents. Few of its major clients are, CG Power and Industrial Solutions Limited, Lucas TVS Ltd, Highly Electrical Appliances Ltd, Mitsuba India Private Limited, etc.

Increase in scale of operations as well as improvement in profitability

The scale of operations of PWIL registered growth of 56% during FY22 from FY21 i.e. scale of operations increased from Rs.1,721.09 crore in FY21 to Rs.2,688.07 crore in FY22. This increase was on account of continuous increase in copper prices and higher volumes during the year. With better copper prices average sales realisation also increased from Rs.5.98 lakh/ MT in FY21 to Rs.7.96 lakh/ MT in FY22 for round wire whereas for PCCC and CTC it increased from Rs.5.87 lakh/MT and Rs.6.18 lakh/

¹Complete definitions of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.

MT in FY21 to Rs.8.16 lakh/ MT and Rs.8.37 lakh/ MT in FY22 respectively. The capacity utilisation stood at 81% during the year and 92% during H1FY23. PBILDT margins slightly deteriorated during FY22 i.e. it decreased from 4.75% in FY21 to 4.61% in FY22 owing to higher copper prices, which increased the cost of production.

The company reported strong performance in H1FY23 as compared to H1FY22 with a total revenue of operations of Rs. 1552.20 crore and a PAT of Rs. 31.49 crore. The average sales realisation earned by the company for round wire was Rs.8.02 lakh/ MT, PICC was Rs.8.40 lakh/MT and CTC was Rs.8.74 lakh/ MT.

Favourable financial risk profile

PWIL continues to have favorable financial risk profile. The overall gearing is expected to be moderated as the copper prices are expected to be in the similar range as well as fund-based limits are assumed to be fully utilised. The company has capex plans in the coming years to increase the installed capacity to around 48,250 MTPA with a total estimated cost of Rs. 70 crore which is to be funded from internal accruals and term loan. The company has already incurred an expenditure of Rs. 13 crore from its internal accruals.

Favourable debt protection metrics

The interest coverage ratio of the company marginally reduced to 4.97x in FY22 from 5.40x in FY21 on account of increase in interest on bank borrowings. The company has efficiently collected its receivables, which reduced its dependence on fund-based utilisations. The average utilisations stood at 15% for the past twelve months ended November 2022.

The company procures inventory only when it has a confirmed order from its customer, thereby maintaining an extremely cautious approach. However, the inventories held by PWIL has increased to Rs. 221.84 crore FY22 from Rs. 166.04 crore in FY21 on account of increase in copper prices and increase in installed capacity. The company majorly uses non-fund-based facility for buying its raw materials. During H1FY23, the inventory balance (Rs. 185.44 crore) held by PWIL was 7% lower than H1FY22 (Rs. 199.88 crore). The trade receivables of the company showed similar trends for FY21 (Rs. 440.11 crore), FY22 (Rs. 467.50 crore), H1FY22 (Rs. 431.56 crore) and H1FY23 (Rs. 418.37 crore).

Key Rating Weaknesses

Relatively low value adding products coupled with prevalent competition in copper winding wire industry from unorganized players

PWIL is primarily in the business of conversion of copper into winding wires. These wires are basic components in the supply chain for manufacturing of various static and rotating electronic goods. As a result of low value addition in the winding wires industry, the company's PBILDT margins remain in the range of 4% to 6%. The company is merely a converter where it charges fixed conversion charges to its consumers. The increase in prices of its major raw material directly affects the company's margins. Additionally, the sector is heavily fragmented with many small and medium players in the market which adds intense competition in the industry. The company's long-standing relationships with its OEM customers mitigates the risk to a larger extent. Therefore, in the event of high price the margins would be low and vice-a-versa.

Exposure to volatility of copper prices and foreign exchange rates

Major raw material used in manufacturing is copper, which forms around 90% of total operating cost for the company. Around 85% of company's raw material requirement is met indigenously and balance through imports. PWIL books raw material requirement on receipt of confirmed orders only. The company procures copper in back-to-back arrangement with suppliers against confirmed orders i.e. the customer prices the copper with PWIL on an unknown basis and PWIL does the same with its suppliers thereby, mitigating full volatility of raw material prices as well as foreign exchange.

The company also derives part of its total sales from export which is less than 10%, thereby exposing company's operational performance to foreign exchange rate fluctuations. However, the company has lower imports than its exports which helps in managing the forex fluctuation risk naturally. After adjusting the imports against the exports, the balance exports are not hedged.

Higher working capital requirements

The debt profile of the company consists of working capital borrowings, term loan. The overall gearing (including the acceptances) of the company deteriorated from 1.16x to 1.24x in FY22 due to the increased acceptances.

Liquidity: Strong

PWIL has a strong liquidity supported by cash and bank balance of 26.36 crore as on September 30, 2022 and Rs. 45.02 crore as on March 31, 2022. The company's average fund-based utilization stood at 15.29% during the past twelve months with nil repayment.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Rating Methodology – Manufacturing Companies](#)

[Policy on default recognition](#)
[Financial Ratios – Non financial Sector](#)
[Non Ferrous Metal](#)

About the Company

Precision Wires India Limited (PWIL), incorporated in 1989, manufactures copper winding wires, continuously transposed conductors (CTC) and paper insulated copper conductors (PICC) which are used in manufacturing of rotating as well as static electrical equipments. PWIL has a manufacturing facility located at Silvassa, Dadra Nagar Haveli and Palej, Gujarat with a total installed capacity of 39,400 metric tonne per annum (MTPA) as on September 30, 2022. PWIL is a leading player in the organized copper winding wires in India. The company caters to various industries like power, auto, consumer durables, transformers, construction etc.

(Rs in crore)

Brief Financials	31-03-2021 (A)	31-03-2022 (A)	H1FY23 (UA)
Total operating income	1721.09	2688.07	1552.20
PBILDT	81.73	123.85	64.65
PAT	39.31	63.01	31.49
Overall gearing (times)	1.16	1.24	NA
Interest coverage (times)	5.40	4.97	4.20

A: Audited; UA: Unaudited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	60.00	CARE A; Positive
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE A; Positive
Fund-based - LT-Term Loan		-	-	March 2024	14.73	CARE A; Positive
Non-fund-based - ST-BG/LC		-	-	-	660.00	CARE A1

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based - ST-BG/LC	ST	660.00	CARE A1	-	1)CARE A1 (07-Feb-22) 2)CARE A1 (06-Aug-21)	1)CARE A1 (04-Jan-21)	1)CARE A1 (27-Dec-19)
2	Fund-based - LT-Term Loan	LT	14.73	CARE A; Positive	-	1)CARE A; Positive (07-Feb-22) 2)CARE A; Stable (06-Aug-21)	1)CARE A; Stable (04-Jan-21)	1)CARE A; Stable (27-Dec-19)
3	Fund-based - LT-Cash Credit	LT	60.00	CARE A; Positive	-	1)CARE A; Positive (07-Feb-22) 2)CARE A; Stable (06-Aug-21)	1)CARE A; Stable (04-Jan-21)	1)CARE A; Stable (27-Dec-19)
4	Fund-based - LT-Cash Credit	LT	20.00	CARE A; Positive	-	1)CARE A; Positive (07-Feb-22) 2)CARE A; Stable (06-Aug-21)	1)CARE A; Stable (04-Jan-21)	1)CARE A; Stable (27-Dec-19)

Annexure-3: Detailed explanation of covenants of the rated facilities : NA**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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