Marco Cables & Conductors Limited (Erstwhile Marco Cables Private Limited)

September 21, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	20.00	CARE BB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	17.00	CARE BB; Stable / CARE A4	Reaffirmed
Short Term Bank Facilities	6.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Marco Cables Private Limited (MCPL) continues to be constrained due to its modest scale of operations with moderate profit margins, working capital intensive nature of operations and weak financial risk profile. The ratings further continue to be tempered on account of susceptibility of margins to fluctuation in input prices and presence of the business in highly fragmented and competitive nature of industry.

The ratings however continue to derive strength from long track record of the promoters in the industry and established customer base, healthy order book position in FY23 on account of RDSS scheme of central government. The company has an order book of Rs. 209.37 crores as on Sep-23.

Rating sensitivities: Factors likely to lead to rating actions:

Positive factors

- Increase in the scale of operations with a total operating income exceeding Rs.100 crores.
- Improvement in profit margins with PBILDT exceeding 10% on a sustained basis.
- Improvement in the capital structure with the overall gearing reaching below 1.50 times on a sustained basis.

Negative factors

- Decline in revenue to below 60 crore and PBILDT margin below 6% on sustained basis.
- Deterioration in working capital cycle with the same exceeding 150 days on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes Marco Cables & Conductors Limited will continue to benefit from its established market position, experience of the promoters along with long-term relationship with reputed customers.

Detailed description of the key rating drivers

Key Weaknesses:

Weak financial risk profile as reflected by modest scale of operations, leveraged capital structure, and weak debt coverage indicators:

MCCL's has modest scale of operations. Total operating income remained stable at around Rs. 56 crores in FY23. However, the sales are expected to improve in FY24 with implementation of central government's new scheme (RDSS scheme) to improve the electricity distribution in the country. The company has current order book of Rs. ~209 crores as of August 2023 which is to be executed latest till March 2025. The company recorded sales of Rs. 24 crores in 5MFY24. The profitability margins have improved in FY23 (15.42% in FY23 vis a vis 9% in FY22), however the same is volatile. The capital structure continues to remain stretched with gearing of 2.42 times as on March 31, 2023. The coverage indicators remained weak with interest cover of 1.72 times in FY23.

Working capital intensive nature of operations and weak liquidity position:

The working capital intensity of the company continues to remain high with operating cycle of 250 days in FY23 (as against 192 days in FY22). The debtors continue to remain stretched since the customers are mainly State Electricity Boards (SEB) leading to delayed payments. MCPL's inventory cycle remained high due to higher WIP (manufacturing process is of around 4 to 5 months starting with testing of raw material till the inspection of finished goods) coupled with high finished stock. Average cash credit utilization stood at 96% for past 12 months ended August 2023 and provides no liquidity backup. Thus, going

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

forward MCPL's ability to efficiently manage its working capital cycle amidst the competition would be critical from credit perspective.

Presence of the company in highly fragmented and competitive nature of industry:
The industry is marked by presence of many organized and unorganized players with intense completion which restrains the ability of players to command pricing and grow rapidly thereby also constraining the profitability. Also, profitability remains vulnerable to any sharp and sudden commodity price fluctuations. On account of large number of players operating at in the wire and cable industry and enjoying the major share of business, MCPL remains exposed to the intense competition and limited pricing flexibility in the market.

Key strengths:

Long track record of the promoters in the industry:
The directors have more than three decades of experience in the wires and cables industry helping them in getting repeat orders. MCCPL have appointed two new directors with requisite knowledge & experience for the business in July 2023.

Established customer base with strong order book position & various government schemes implemented for transmission of electricity:
The company has diversified customer base containing various state electricity boards and electrical companies across the India and other public limited companies from where the company receives repeated orders. Furthermore, such association with reputed clientele helps the company in securing healthy order book position. The company has an order book of Rs. 209.37 crores as on Sep-23. The major orders are on account of RDSS scheme. The government of India has approved the Revamped Distribution Sector Scheme (RDSS) to help DISCOMs improve their operational efficiencies and financial sustainability by providing result-linked financial assistance to DISCOMs to strengthen supply infrastructure based on meeting pre-qualifying criteria and achieving basic minimum benchmarks.

Liquidity: Stretched
The liquidity position remained stretched characterized by tightly matched accruals vis-à-vis repayment obligations and relatively moderate total cash balance of Rs.3.53 crore as on March 31, 2023. The average utilization of its working capital limits during past 12 months ended July 2022 stood at ~96% and provides no liquidity backup. The operating cycle remained stretched at 250 days due to extended receivable period of 131 days & inventory period of 205 days.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: NA

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
Policy on Withdrawal of Ratings

About the company and industry
Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Cables - Electricals

Incorporated in 1989 by Mr. Narain Kukreja and Mr. Sugnomal M. Kukreja, Marco Cables & Conductors Limited (MCCL) is engaged in manufacturing of wires and cables (With Aluminium / Copper Conductor), XLPE /PVC Cables, Aerial Bunched Cables, MCCL subsequently included AAAC (All Aluminium Alloy Conductor) & ACSR (Aluminium Conductor Steel Reinforced) Conductors also to the product profile. The company manufactures Low Tension (LT) cables under the brand name of HMT since last 3 decades. MCCL is an ISO 9001:2008 and BIS certified company and its manufacturing facility is located in Sinnar near Nashik with the annual production capacity of 18000 Km p.a. MCCL mainly caters to power industry with a wide range of clients from public sector utilities, industrial customers, railways and others.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	5MFY24 (UA)
Total operating income	56.41*	56.77*	24
PBILDT	6.46	8.76	NA
PAT	0.43	3.08	NA
Overall gearing (times)	2.04	2.42	NA
Interest coverage (times)	1.17	1.72	NA

A: Audited; UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'
*-The numbers mentioned are exclusive of GST.

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/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		-	-	-	20.00	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	17.00	CARE BB; Stable / CARE A4
Non-fund-based - ST-ILC/FLC		-	-	-	6.00	CARE A4

Annexure-2: Rating history for the 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 2023-2024	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
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	17.00	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (19-Sep-22)	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (19-Jan-22)	1)CARE BB+; Negative / CARE A4 (08-Dec-20)
2	Fund-based - LT-Cash Credit	LT	20.00	CARE BB; Stable	-	1)CARE BB; Stable (19-Sep-22)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (19-Jan-22)	1)CARE BB+; Negative (08-Dec-20)
3	Non-fund-based - ST-ILC/FLC	ST	6.00	CARE A4	-	1)CARE A4 (19-Sep-22)	1)CARE A4; ISSUER NOT COOPERATING* (19-Jan-22)	1)CARE A4 (08-Dec-20)
4	Fund-based - LT-Bank Overdraft	LT	-	-	-	-	-	1)Withdrawn (08-Dec-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities- NA

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - ST-ILC/FLC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings 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.

Contact us.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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