

## Prem Cables Private Limited

August 16, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	170.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB+; Stable / CARE A2;

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) vide its press release dated February 23, 2024, placed the ratings Prem Cables Private Limited (PCPL) under the 'Issuer non-cooperating' category as PCPL failed to provide information for monitoring the ratings despite repeated requests vide e-mail communications dated January 09, 2024, January 03, 2024, December 06, 2023, November 06, 2023, and October 31, 2023 etc. among others and numerous phone calls. PCPL continues to be non-cooperative.

Thus, in pursuant to the extant Securities and Exchange Board of India (SEBI) guidelines, CARE Ratings has reviewed the ratings on the basis of the best available information which however, in CARE Rating's opinion is not sufficient to arrive at a fair rating. Further, the revision in the ratings of PCPL is pursuant to SEBI's circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status".

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The ratings assigned to the bank facilities of PCPL continue to remain constrained on account of PCPL's moderate financial risk profile, moderate profitability levels which remains susceptible to volatility in raw material prices as well as foreign exchange fluctuation and its presence in an intensely competitive industry.

The ratings, however, derive comfort from vast experience of its promoters in aluminium conductors and wire rods business with more than five decades of operational track record and long-term association with State and Central government power distribution utilities. The ratings also take cognisance of continuous growth in PCPL's scale of operations over a period of last three years ended FY23 (refers to the period from April 01 to March 31).

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of the key rating drivers:

At the time of the last rating on February 23, 2024, the following were the rating weaknesses and strengths:

#### Key weaknesses

##### Moderate financial risk profile

With increase in scale of operations, the working capital requirement of the company also increased, leading to higher reliance on working capital borrowings, including borrowings in the form of letter of credit for raw material procurement. As on March 31, 2023, PCPL's overall gearing improved to 1.03x (PY end: 1.18x). PCPL's debt coverage indicators of the company stood moderate with total debt to gross cash accruals of 12.31 years as on March 31, 2023 (PY: 12.28 years). PBILDT interest coverage ratio of the company deteriorated to 1.83x as on March 31, 2023 (PY: 2.08x) owing to higher interest costs.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

\*Issuer did not cooperate; based on best available information.

### **Moderate profitability margins which is further susceptible to volatility in raw material prices**

The primary raw material of PCPL is aluminium ingots constituting around 95% (96% during FY22) of total raw material consumed during FY23. Aluminium, by virtue of being a global commodity, has shown significant volatility in the past. However, in the conductor segment, PCPL supplies to the state power sector utilities through tender-based procurement process. The orders received from power grids/electricity boards include price variation clause, which mitigates the volatility to a certain extent. Hence, PBILDT margin of the company remained stable at 3.50% during FY23 (FY22: 3.64%). However, the PAT margin deteriorated by 57 bps during FY23 to 1.56% (PY: 2.13%) owing to higher interest costs.

### **Presence in a competitive industry**

The aluminium conductor industry though largely organized, is competitive in nature due to limited product differentiation as well as bargaining power with majority of the customers being large, organized players in the power transmission business or state utilities wherein most of the procurement is done through a tendering process. The industry also faces threat of subsidised imports of wire rods in the which also impacts the competitiveness of the domestic producers.

### **Key strengths**

#### **Growing scale of operations with healthy orderbook position**

PCPL's TOI grew by 31% on a y-o-y basis to Rs.720.78 crore during FY23 as compared to Rs.548.82 crore in FY22. The growth momentum continued in 5MFY24 (till August 17, 2023) marked by TOI of Rs.279 crore. As on October 31, 2023, PCPL had an order book of Rs.308 crore, providing adequate revenue visibility in the near term.

#### **Experienced promoters with long-established track record of operations**

PCPL, incorporated in 1964, was one of the pioneers in India in establishing manufacturing facility for aluminium conductors. The company was promoted by late Mr. Parasraj Shah and presently, the second and third generation family members manage the business operations. Mr. Abhay Shah, Managing Director, along with his sons, looks after the overall operations of the company. PCPL is currently engaged in manufacturing of aluminium wire rods and AAC (All Aluminium Conductor) & ACSR (Aluminium Conductors Steel Reinforced) conductors and has an established track record of operations of more than 55 years.

#### **Long-term association with Central and State government power distribution companies**

PCPL supplies conductors to power sector utilities of various states such as West Bengal, Punjab, Rajasthan, Haryana, etc. for over two decades and has been awarded repeat orders from the clients. To mitigate the dependence on a single sector and reduce vulnerability to delays in execution of power projects and government policies, PCPL has scaled up sale of aluminium rods to private corporates.

### **Applicable criteria**

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Non Ferrous Metal](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

### **About the company and industry**

#### **Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Non - Ferrous Metals	Aluminium

PCPL was incorporated in 1964 as part of Prem Group, one of the pioneers of conductor manufacturing in India. PCPL is engaged in manufacturing of Aluminium Conductor Steel Reinforced (ACSR), All Aluminium Conductor (AAC) and aluminium wire rods. The company's manufacturing facility is located at Pipalia Kalan in Rajasthan with installed capacity of 25,000 metric tonnes per annum (MTPA) for aluminium conductors and 20,000 MTPA for aluminium wire rods

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	548.82	720.78
PBILDT	20.00	25.22
PAT	11.67	11.28
Overall gearing (times)	1.18	1.03
Interest coverage (times)	2.08	1.83

A: Audited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Brickwork vide press release dated December 19, 2023 has continued to classify the ratings of PCPL under Issuer Non-Cooperating category on account of its inability to carry out a review in the absence of the requisite information from the company.

**Any other information:** Not Applicable

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

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

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT/ ST-Cash Credit		-	-	-	60.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	80.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-BG/LC		-	-	-	30.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**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 2024-2025	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
1	Fund-based - LT/ ST-Cash Credit	LT/ST	60.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING* (23-Feb-24) 2)CARE BBB+; Stable / CARE A2 (04-Sep-23)	1)CARE BBB+; Stable / CARE A2 (17-Nov-22)	1)CARE BBB+; Stable / CARE A2 (22-Nov-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	80.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING* (23-Feb-24) 2)CARE BBB+; Stable / CARE A2 (04-Sep-23)	1)CARE BBB+; Stable / CARE A2 (17-Nov-22)	1)CARE BBB+; Stable / CARE A2 (22-Nov-21)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	30.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING* (23-Feb-24) 2)CARE BBB+; Stable / CARE A2 (04-Sep-23)	1)CARE BBB+; Stable / CARE A2 (17-Nov-22)	1)CARE BBB+; Stable / CARE A2 (22-Nov-21)

\*Issuer did not cooperate; based on best available information.

LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - LT/ ST-BG/LC	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](mailto:care@careedge.in) for any clarifications.

## Contact us

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### About us:

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### Disclaimer:

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