

Marco Cables & Conductors Limited

September 28, 2024

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	11.00 (Enhanced from 6.00)	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in the ratings assigned to the bank facilities of Marco Cables & Conductors Limited (MCCL) continues to be constrained due to its working capital intensive nature of operations owing to which the company has elongated working capital cycle, although the same is expected to improve in the near mid-term due to shift from its major customers from state DISCOM's to private EPC contractors from FY2024 onwards. Further the company continues to have moderate capital structure and weak debt coverage indicators and stretched liquidity position. Also although its scale of operations continues to improve on y-o-y basis the same continues to be moderate. The ratings continues 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 and continued healthy order book position in FY2024 on account of RDSS scheme of central government.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations while maintaining healthy profitability and reduction in operating cycle below 200 days translating into better liquidity buffer on a sustained basis.
- Improvement in interest cover above 2.0x on a sustained basis.

Negative factors

- Elongating working capital cycle putting pressure on liquidity.
- Decline in revenue to below 60 crore and PBILDT margin below 6% on sustained basis.
- Any large debt-funded capex impacting the capital structure with overall gearing above 2.0x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that MCCL will continue to benefit from the experience of its promoters along with the long-term relationship with its reputed customers.

Detailed description of key rating drivers:

Key weaknesses

Working capital intensive nature of operations and weak liquidity position:

The working capital intensity of the company continues to remain high with further elongation in its operating cycle to 271 days in FY2024 (as against 250 days in FY2023) on account of its high inventory and debtors days. MCCL's inventory cycle continues to remain high due to raw material stock in transit and WIP of 1-2 month (manufacturing process is of around 2 to 3 months starting with testing of raw material till the inspection of finished goods) coupled with high finished stock. The debtors collection period continue to remain stretched since its major customers are mainly State Electricity Boards (SEB) leading to delayed payments. However, from FY2024 onwards company has shifted its major customer base from such SEB's to private turnkey players due to better payment terms offered by them. Average cash credit utilization stood at 89% for past 12 months ended July 2024 and provides limited liquidity buffer. Going forward, while MCCL's receivable days is expected to improve due to higher sales to private turnkey players, the company's ability to efficiently manage its working capital cycle amidst the competition remains a key monitorable.

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

Weak debt coverage indicators and leveraged capital structure:

MCCL's scale of operation remained modest although it continues to improve on y-o-y basis which is reflected by its total operating income (TOI) of Rs. 72 crore which was ~ Rs. 57 crore in FY2023. Going forward, the sales revenue is expected to improve in FY2025 due to implementation of central government's new scheme (RDSS scheme) for improvement of the electricity distribution in the country. The company has current order book of ~ Rs. 97 crores in Aug-2024 which is to be executed latest till Jun-2025. The operating profitability margins (profit before interest, lease rentals, depreciation, and taxes) have remained stable in FY2024 to that of FY2023 levels i.e ~ 15%, however the same is volatile on account of susceptibility of margins to fluctuation in its key input prices of aluminium and XLPE compound (derivative of polyethylene which is linked to crude oil prices). The capital structure remains leveraged with overall gearing of 1.48 times as on March 31, 2024 despite some improvement in FY2024 on account of fresh IPO proceeds of Rs. 9.36 crore. The coverage indicators remained moderate with PBILDT/Interest coverage of 1.80 times in FY2024 and projected DSCR at close to unity.

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, MCCL remains exposed to the intense competition and limited pricing flexibility in the market.

Key strengths

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, private turnkey contractors 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. 96.62 crores as on Aug-2024 expected to be executed by June, 2025. 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.

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.

Liquidity: Stretched

The liquidity position remained stretched characterized by tightly matched accruals vis-à-vis repayment obligations and relatively moderate free cash and bank balance of Rs.3.54 crore as on March 31, 2024. The average utilization of its working capital limits during past 12 months ended July 2024 stood at ~89% and provides limited liquidity buffer. The operating cycle remained stretched at 271 days due to extended receivable period of 141 days & inventory period of 188 days.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic 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, AAAC (All

Aluminium Alloy Conductor) & ACSR (Aluminium Conductor Steel Reinforced) Conductors. 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, 2023 (A)	March 31, 2024 (A)	5MFY-2025 (UA)
Total operating income	56.77	72.08	N/A
PBILDT	8.76	10.74	N/A
PAT	3.08	3.04	N/A
Overall gearing (times)	2.42	1.48	N/A
Interest coverage (times)	1.72	1.80	N/A

A: Audited UA: Unaudited; Note: these are latest available financial results; N/A: Not available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and 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/BULC		-	-	-	11.00	CARE A4

Annexure-2: Rating history for 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	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	17.00	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (21-Sep-23)	1)CARE BB; Stable / CARE A4 (19-Sep-22)	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (19-Jan-22)
2	Fund-based - LT-Cash Credit	LT	20.00	CARE BB; Stable	-	1)CARE BB; Stable (21-Sep-23)	1)CARE BB; Stable (19-Sep-22)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (19-Jan-22)
3	Non-fund-based - ST-ILC/FLC/BULC**	ST	11.00	CARE A4	-	1)CARE A4 (21-Sep-23)	1)CARE A4 (19-Sep-22)	1)CARE A4; ISSUER NOT COOPERATING* (19-Jan-22)

*Issuer did not cooperate; based on best available information.** Includes BULC limit of Rs. 5 crore sanctioned in FY2024.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of 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/BULC	Simple

Annexure-5: Lender details

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

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

Contact us

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About us:

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