Precision Wires India Limited

January 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	219.22 (Enhanced from 146.86)	CARE A+; Stable	Reaffirmed
Short Term Bank Facilities	783.50 (Enhanced from 638.50)	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

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

For fiscal FY24 (FY refers to April 01 to March 31), net sales improved at 8.86% y-o-y primarily considering volume growth, which was 9% for finished goods. As a result of low value addition in the winding wires industry, the company's profit before interest, lease rentals, depreciation, and taxation (PBIDLT) margins remain in the range of 4%-6%. The company is a converter, where it receives fixed conversion charges from its consumers. The copper prices were highly volatile, which improved margins in percentage terms, however, absolute conversion charges remain more or less fixed. Back-to-back order mechanism helps in mitigating commodity price risk.

The company's financial risk profile continues to remain favourable marked by strong liquidity position and comfortable debt coverage metrics. Overall gearing (including acceptances) of the company was 1.02x, while debt to equity ratio remains strong at 0.05x as on March 31, 2024. Even considering additional term loan of ₹34 crore, which is proposed in FY25 for capex activity; debt-to-equity ratio is expected to remain strong. Overall gearing is higher due to high usage of letter of credit (LC) acceptances. The company continues to maintain strong liquidity position, which is supported by cash and liquid investments of ₹53.63 crore as on September 30, 2024 (₹72.75 crore as on March 31, 2024).

However, 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 unorganised players. While volatility in copper prices is completely passed on; the industry requires relatively higher working capital.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving overall gearing to below 0.50x on a sustained basis.
- Improving total debt (TD) to PBILDT to below 1.00x on a sustained basis.

Negative factors

- Increasing overall gearing above 1.25x on a consistent basis on account of increase in TD.
- Deterioration of Total Debt/PBILDT above 3.50x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The business performance is expected to be stable given long-standing customer relationships and growth expected from addition of new capacity. The company's financial risk profile remains strong as term debt repayments can be comfortably met through internal accruals.

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

Detailed description of key rating drivers:

Key strengths

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

Promoted by Mahendra Mehta, PWIL is in copper winding wire industry since 1989. Mahendra Mehta has over six decades of experience in the copper winding wire industry. Currently the second generation, his son Milan Mehta (Chairman and Managing Director), who has been associated with PWIL since 1996, manages the company's overall operations. Milan Mehta has over three decades of experience in managing technical and commercial aspects of the company's operations. The company's daily operations are managed by a team of qualified and experienced professionals headed by Milan Mehta.

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

PWIL continues to be leading player in the organised copper winding wires industry with a total installed capacity of 49,000 Metric Tonnes Per Annum (MTPA) as on September 30, 2024, and is expected to reach ~60,000 MTPA as on June 30, 2026. The company caters to 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 and construction industries, among others. 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 and Mitsuba India Private Limited, among others

Sustained profitability levels alongside revenue growth

For FY24, net sales have improved at 8.76% y-o-y, primarily on the back of volume growth, which was 9% for finished goods. As a result of low value addition in the winding wires industry, the company's PBIDLT margins remain in the range of 4% to 6%. Despite volatility in copper prices, overall price realisations slightly moderated. Round wire contributed ~75% to total revenue, with realisations decreasing slightly to ₹7.9 lakh/MT in FY24 from ₹7.92 lakh/MT in FY23. PICC and CTC together accounted for 20% of total revenue. The realisation for PICC improved slightly to ₹8.3 lakh/MT from ₹8.26 lakh/MT, while the realisation for CTC remained stable at ₹8.54 lakh/MT. Capacity utilisation stood at 86% in the year. PBIDLT margins improved by 48 basis points in FY24 due to increase in copper prices. The company is a converter, where it receives fixed conversion charges from its consumers and orders are generally booked on back-to-back basis. Due to volatility in copper prices in FY25, the company's PBILDT margins stands ~4.38% in H1FY25.

Favourable debt protection metrics

The company's interest coverage ratio improved to 4.02x in FY24 (against 3.73x in FY23). The company has efficiently collected its receivables, which reduced its dependence on fund-based utilisations. Average utilisations stood below 10% for 12 months ended October 2024. The company procures inventory only when it has a confirmed order from its customer, maintaining an extremely cautious approach. The company majorly uses non-fund-based facility for buying its raw materials. However, inventories held by PWIL has increased to ₹287.36 crore FY24 from ₹227.30 crore in FY23 considering increase in copper prices and increase in installed capacity. The company majorly uses non-fund-based facility for buying its raw materials. The company's trade receivables showed similar trends for FY22 (₹476.50 crore), FY23 (₹459.35 crore) and FY24 (₹421.18 crore). Working capital requirement is expected to increase modestly due to increase in the installed capacity in FY25.

Key weaknesses

Relatively low value-adding products and prevalent competition in copper winding wire industry from unorganised players

PWIL is primarily in conversion of copper into winding wires. These wires are basic components in the supply chain for manufacturing of static and rotating electronic goods. As a result of low value addition in the winding wires industry, the company's PBIDLT margins remain in the range of 4%-6%. The company is merely a converter where it charges fixed conversion charges to its consumers. Increase in prices of its major raw material directly affects the company's margins. The sector is heavily fragmented with many small and medium players in the market, which leads 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 ~90% of total operating cost for the company. Around 85-90% of the 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. 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. The company also derives part of its total sales from export which is around 12%, thereby exposing its operational performance to foreign exchange rate fluctuations. However, the company is able to partly mitigate this risk by various natural hedging mechanisms.

Higher working capital requirements

The company's debt profile consists of working capital borrowings and term loan. The company uses LC for procurement of raw materials resulting in overall gearing (including the acceptances) of the company at 1.02x as of March 31, 2024. LC usage is expected to increase modestly with the increase in the operational capacity.

Liquidity: Strong
PWIL has a strong liquidity supported by cash and liquid investments of ₹53.63 crore as on September 30, 2024, and ₹72.75 crore as on March 31, 2024. The company's average fund-based utilisation stood at 9% in the past 12 months ending October 2024, providing sufficient cushion in terms of contingent liquidity requirements. The company has outlined a capex plan of Rs.120 crore over the next three years, being funded through a mix of debt and equity/internal accruals in a 1:1 ratio.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

Particulars	Risk factors
Environmental	**GHG emissions and renewables:** Enameling machines are equipped with catalytic combustion and heat recirculation Systems, which result in reduction of Green House Gas Emissions. The company has installed ~775KW solar power capacity and has invested ₹2.75 crore towards energy conservation equipment. **Energy consumption:** Electricity consumption was ₹21 crore while fuel consumption was ₹0.08 crore for FY24. Energy intensity per turnover was ₹0.01 per rupee of turnover.
Social	**Safety standards** 100% of employees are trained on safety measures and skill upgradation in FY24. Indicators like lost time injury frequency rate (LTIFR) 0.15 per one million-person hours worked.
Governance	**Board independence:** 50% of the board comprises of non-executive and independent directors.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
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

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Cables - electricals

Incorporated in 1989, PWIL 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 equipment. PWIL has a manufacturing facility located at Silvassa, Dadra Nagar Haveli and Palej, Gujarat with a total installed capacity of 49,000 metric tonne per annum (MTPA) as on September 30, 2024. PWIL is a leading player in the organized copper winding wires in India. The company caters to various industries like power, auto, consumer durables and transformers, construction, among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	3,049.69	3,316.80	1998.97
PBILDT	122.58	149.14	87.48
PAT	59.49	72.85	41.50
Overall gearing (times)	0.93	1.02	0.99
Interest coverage (times)	3.73	4.02	3.82

A: Audited UA: Unaudited; Note: these are latest available financial results

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		-	-	-	101.50	CARE A+; Stable
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE A+; Stable
Fund-based - LT-Term Loan*				June, 2029	63.72	CARE A+; Stable
Fund-based - LT-Term Loan		-	-	Proposed	34.00	CARE A+; Stable
Non-fund-based - ST-BG/LC		-	-	-	783.50	CARE A1

*Outstanding as on December 31, 2024. Note: Withdrawal of LT-term loan of ₹0.36 crore from bank has been done basis no due certificate.

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 - ST-BG/LC	ST	783.50	CARE A1	-	1)CARE A1 (27-Mar-24)	1)CARE A1 (05-Jan-23)	1)CARE A1 (07-Feb-22) 2)CARE A1 (06-Aug-21)
2	Fund-based - LT-Term Loan	LT	97.72	CARE A+; Stable	-	1)CARE A+; Stable (27-Mar-24)	1)CARE A; Positive (05-Jan-23)	1)CARE A; Positive (07-Feb-22)

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
								2)CARE A; Stable (06-Aug-21)
3	Fund-based - LT-Cash Credit	LT	101.50	CARE A+; Stable	-	1)CARE A+; Stable (27-Mar-24)	1)CARE A; Positive (05-Jan-23)	1)CARE A; Positive (07-Feb-22) 2)CARE A; Stable (06-Aug-21)
4	Fund-based - LT-Cash Credit	LT	20.00	CARE A+; Stable	-	1)CARE A+; Stable (27-Mar-24)	1)CARE A; Positive (05-Jan-23)	1)CARE A; Positive (07-Feb-22) 2)CARE A; Stable (06-Aug-21)

LT: Long term; ST: 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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view 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.

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