

Precision Wires India Limited

March 01, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating *	Remark
Long-term bank limits	28.00	CARE A; Stable [Single A; Outlook: Stable]	Reaffirmed
Short-term bank limits	346.75 (enhanced from 321.75)	CARE A1 [A One]	Reaffirmed
Total facilities	374.75 (Rs. Three Hundred Forty Six crore and Seventy Five lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The ratings of bank facilities of Precision Wires India Limited (PWIL) continues to derive strength from the improvement in financial performance of the company in FY17 (refers to period April 01 to March 31,) and 9MFY18 (refers to period April 01 to December 31,), along with adequate debt protection metrics, unencumbered cash and bank balance and low utilization of working capital limits. The ratings also factors in the well-established position of the company in the copper winding wires industry catering to reputed client base, along with experienced promoters with an established track record. The rating strengths, however, continue to be tempered by relatively low value adding products, resulting in lower profitability margins, exposure to volatility in copper prices, exchange fluctuation risk and its presence in a competitive industry.

The ability of company to complete the capital expenditure within stipulated time period and achieve envisaged operational performance, along with effectively managing its working capital requirements and forex risk, remains key rating sensitivities.

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, who has been associated with PWIL since 1996 overlook the overall operations of the company. Mr. Milan Mehta has over two decades of experience in managing technical and commercial aspects of company's operation. 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 with a total installed capacity of 38,240 MTPA as on September 30, 2017. The company caters to various reputed Original Equipment Manufacturing (OEM) companies in India and globally. By virtue to servicing these OEMs, the company has developed long term business relationship. These OEMs are majorly in power, auto, consumer durables,

transformers and construction industry. PWIL also caters to retail/ replacement demand through its branches and agents.

Favourable financial risk profile albeit ongoing capital expenditure

The company's overall gearing although increased remained comfortable at 0.67 times at end-FY17 as compared to 0.58 times at end-FY16. Currently, the company is proposing additional capital expenditure of Rs. 62.23 crore. It would be funded through debt of Rs. 38.18 crore and balance through internal accruals. The capital expenditure is expected to incur over a period of three years starting from FY18.

Favourable debt protection metrics; comfortable working capital management

Interest coverage ratio of the company improved to 5.86 times in FY17 as compared to 4.70 times in FY16 on account of lower interest and finance cost. Despite increase in Gross Cash Accruals to Rs. 36.39 crore in FY17 from Rs. 31.33 crore in FY16, the Total Debt to GCA of the company increased to 3.77 times in FY17 from 3.56 times in FY16 on account of higher utilisation of working capital bank limits. However, the fund based working capital utilisation for the period of 12 months ending on November, 2017 stood at around 50%. Operating cycle of the company continues to be in the range of 40-51 days demonstrating favourable working capital management.

Key Rating Weaknesses

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

PWIL is into business of conversion of copper into winding wires. These winding wires are basic component in supply chain of manufacturing of electrical goods. By virtue of relatively low value addition of winding wires, the PBILDT margins of the company ranges between 5-6%.

There are number of players in the industry including many in SSI sector; due to which there is competition prevalent in the industry. However, the company's long standing relationship with OEM customers partially mitigates its industry risk.

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. The company procures copper in back-to-back arrangement with suppliers against confirmed orders, mitigating volatility of raw material prices to a larger extent, however, inventory holding and time risk remains.

Analytical approach: Standalone

Applicable Criteria

[CARE's criteria on assigning Outlook to Credit Ratings](#)

[CARE's policy on Default Recognition](#)

[CARE's methodology for Short-term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for manufacturing companies](#)

About the Company

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 equipment. PWIL has a manufacturing facility located at Silvassa, Dadra Nagar Haveli and Palej, Gujarat with a total installed capacity of 38,040 metric tonne per annum (MTPA) as on March 31, 2017. 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 and etc.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	815.38	884.71
PBILDT	52.31	54.06
PAT	17.03	22.04
Overall gearing (times)	0.58	0.67
Interest coverage (times)	4.70	5.86

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	-	-	326.75	CARE A1
Fund-based - LT-Term Loan	-	-	June, 2018	12.00	CARE A; Stable
Fund-based - LT-Cash Credit	-	-	-	16.00	CARE A; Stable
Fund-based - ST-Term loan	-	-	Upto 90 days	20.00	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 (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Non-fund-based - ST-BG/LC	ST	326.75	CARE A1	-	1)CARE A1 (26-Dec-16)	1)CARE A1 (15-Oct-15) 2)CARE A1 (16-Apr-15)	1)CARE A1 (25-Mar-15)
2.	Fund-based - LT-Term Loan	LT	12.00	CARE A; Stable	-	1)CARE A; Stable (26-Dec-16)	1)CARE A (15-Oct-15) 2)CARE A (16-Apr-15)	1)CARE A (25-Mar-15)
3.	Fund-based - LT-Cash Credit	LT	16.00	CARE A; Stable	-	1)CARE A; Stable (26-Dec-16)	1)CARE A (15-Oct-15) 2)CARE A (16-Apr-15)	1)CARE A (25-Mar-15)
4.	Fund-based - ST-Vendor financing	ST	-	-	-	-	-	1)Withdrawn (25-Mar-15)
5.	Fund-based - ST-Term loan	ST	20.00	CARE A1	-	-	-	-

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