

Precision Wires India Limited

October 5, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term bank facilities	71.00 (enhanced from 28.00)	CARE A; Stable [Single A; Outlook: Stable]	Reaffirmed
Short-term bank facilities	531.75 (enhanced from 346.75)	CARE A1 [A One]	Reaffirmed
Total	602.75 (Rs. Six Hundred Two crore and Seventy Five lakhs only)		

Detailed Rationale

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

However, the rating strengths continue to be tempered by relatively low value adding products amongst prevalent competition in the copper winding wire industry from unorganized players.

Ability of the company in efficiently managing working capital requirements and any large debt funded capital expenditure impacting overall financial risk profile of the company remain 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 March 31, 2018. The company caters to a 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, construction industries. PWIL also caters to retail/ replacement demand through its branches and agents.

Favourable financial risk profile albeit ongoing capital expenditure

PWIL continues to have favourable financial risk profile. The company reported overall gearing at 0.96 times As on March 31, 2018 as compared to 0.65 times as on March 31, 2017 on account of higher utilisation of working capital limits. Currently, the company is proposing additional capital expenditure of Rs. 61 crore. It would be funded through debt of Rs. 28 crore and balance through internal accruals. The capital expenditure is expected to incur over a period of two years starting from FY19.

Going forward the ability of company to complete its capital expenditure plans within stipulated time period and achieve envisaged operational performance remains key rating sensitivity.

Favourable debt protection metrics; comfortable working capital management

Interest coverage ratio of the company marginally dipped to 5.71 times in FY18 as compared to 5.89 times in FY17 on account of increase in interest and finance expenses. Despite increase in Gross Cash Accruals (GCA) to Rs. 50.05 crore in FY18 from Rs. 36.90 crore in FY17, the Total Debt to GCA of the company increased to 4.53 times in FY18 from 3.72 times in FY17 on account of higher utilisation of working capital bank limits. However,

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

the fund based working capital utilisation for the period of 12 months ending on July, 2018 stood at around 29%. Thus, providing liquidity comfort to an extent. Operating cycle of the company continues to be in 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%.

PWIL manufactures winding wires which are utilized to manufacture rotating and static electrical equipment's. As there are number of players in the industry (majorly in the SSI sector); there is higher competition prevalent within the industry. However, the company's long standing relationship with OEM customers mitigates this risk to a larger extent.

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 September 30, 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)	FY17 (A)	FY18 (A)
Total operating income	884.71	1,409.92
PBILDT	54.06	86.75
PAT	22.04	35.98
Overall gearing (times)	0.67	0.96
Interest coverage (times)	5.86	5.71

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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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
Fund-based - LT-Cash Credit	-	-	-	41.00	CARE A; Stable
Fund-based - LT-Term Loan	-	-	October, 2023	30.00	CARE A; Stable
Fund-based - ST-Term loan	-	-	Upto 90 days	20.00	CARE A1
Non-fund-based - ST-BG/LC	-	-	-	511.75	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Non-fund-based - ST-BG/LC	ST	511.75	CARE A1	-	1)CARE A1 (01-Mar-18)	1)CARE A1 (26-Dec-16)	1)CARE A1 (15-Oct-15) 2)CARE A1 (16-Apr-15)

2.	Fund-based - LT-Term Loan	LT	30.00	CARE A; Stable	-	1)CARE A; Stable (01-Mar-18)	1)CARE A; Stable (26-Dec-16)	1)CARE A (15-Oct-15) 2)CARE A (16-Apr-15)
3.	Fund-based - LT-Cash Credit	LT	41.00	CARE A; Stable	-	1)CARE A; Stable (01-Mar-18)	1)CARE A; Stable (26-Dec-16)	1)CARE A (15-Oct-15) 2)CARE A (16-Apr-15)
4.	Fund-based - ST-Term loan	ST	20.00	CARE A1	-	1)CARE A1 (01-Mar-18)	-	-

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