



March 2, 2010

ICRA assigns LBB- rating to the fund based limits and A4 rating to the non fund based limits of Rajasthan Cables & Conductors Private Limited

ICRA has assigned rating of LBB- (pronounced as L Triple B minus) to the Rs 80 million fund based limits of Rajasthan Cables & Conductors Private Limited (RCCPL)[†]. ICRA has also assigned rating of A4 to Rs 70 million non fund based lines of RCCPL[†].

ICRA's non-investment ratings factor in RCCPL's modest scale of operations, low profitability and high gearing levels of the company. Further, there has been a significant increase in the pricing pressures on the aluminium conductors industry following a worsening of the supply-demand position, which is expected to further intensify the competitive pressures from both large players as well as the unorganised sector. This apart, the ratings are also constrained by low pending order book and high working capital (WC) intensity of operations (arising out of high level of debtors) leading to negative cash generation from operations (as measured by net cash accruals adjusted for working capital changes) & consequently stretched liquidity as measured by unutilized bank limits. The ratings are however supported by the promoter's long track record and nearly three decades of experience in the power cable industry, a positive outlook on volumes in the long-term driven by the large quantum of investments expected in the power sector & entry of the company into Low tension and Aerial bunched cables. The ratings also derive comfort from the fact that the sales orders have Price variation clauses which provide cushion to the company's profitability against the fluctuation of raw material prices.

Company Background

Rajasthan Cables & Conductors Private Limited (RCCPL) commenced operations in the year 1979 as a group company of Rajasthan Transmission wire Private Limited (RTWPL), with the main object to manufacture all types of conductors and cables. Initially, most of these operations were carried out by RTWPL, with RCCPL mainly assisting its parent company in procuring orders. In 2005, RCCPL got separated from RTWPL and has reported a growth in its revenue from Rs 60 million in FY05 to Rs 420 million in FY09. Currently, the company is headed by Mr. H.N Jethalia and his son, Mr. Anil Jethalia. The company is mainly engaged in manufacturing of all types of conductors. Recently, it has also entered into Aerial bunched conductors, XLPE and PVC cables and control cables. Currently its product range consists of the following types of products:

- Aluminium Conductors
 - AAC (All Aluminium Conductors)
 - AAAC (All Aluminium Alloy Conductors)
 - ACSR (Aluminium Conductors Steel Reinforced)
- Aerial bunched cables/ conductors
- LT Power Cables (XLPE/PVC)
- Copper wires & cables

For further details please contact:

Analyst Contacts:

Mr. Sabyasachi Majumdar, (Tel. No. +91-124-4545304)

sabyasachi@icraindia.com

Relationship Contacts:

Mr. Vivek Mathur, (Tel. No. +91-124-4545310)

vivek@icraindia.com

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

PRESS RELEASE

Disclaimer: ICRA Ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA Ratings are subject to a process of surveillance, which may lead to revision in ratings. Please visit our website (www.icra.in) or contact any ICRA office for the latest information on ICRA Ratings outstanding.