



## Shakti Cables Private Limited

Instrument	Amount in Rs crore	Rating Action
Fund Based Limits	1.75	[ICRA]B- assigned
Non Fund Based Limits	4.50	[ICRA]B-/ [ICRA]A4 assigned
Unallocated Limits	3.75	[ICRA]B-/ [ICRA]A4 assigned

ICRA has assigned the long-term rating of [ICRA]B- (pronounced ICRA B minus) to the Rs. 1.75 crore fund based limits of Shakti Cables Private Limited (SCPL)\*. ICRA has also assigned long-term/short-term ratings of [ICRA]B-/ [ICRA]A4 (pronounced ICRA A four) to the Rs. 4.50 crore non fund based limits and Rs. 3.75 crore unallocated limits of SCPL.

The assigned ratings are constrained by the small scale of operations of the company in cable manufacturing industry with thin operating margins at ~6% over the last 2 years; stretched liquidity profile owing to high debtor and inventory levels as reflected by full utilisation of working capital limits; and a highly competitive industry characterized by presence of large companies with high financial flexibilities and lower cost structures. The ratings are further constrained by the high client concentration risk with more than 90 percent of revenues being derived from 3 clients; high geographic concentration risk with revenues and orders emanating from Andhra Pradesh and Telangana and significant vulnerabilities to raw material price fluctuations in light of limited bargaining power of SCPL.

The assigned ratings, however, factor in the promoter's experience of nearly three decades in the cable manufacturing business; small but healthy order book of Rs. 10.57 crore (1.25 times FY15 revenues) as on November 30, 2015 which provides near term revenues visibility; and favourable demand for cables in the medium term given the central government's focus on providing uninterrupted power throughout the country.

Going forward, the ability of the company to increase its size and profitability, diversify order book and while managing its working capital requirements effectively remain the key credit rating drivers.

### Company Profile

Shakti Cables Pvt. Ltd. (SCPL) was incorporated in 1984 by Mr. Anil Parikh to manufacture cables and conductors. The company is engaged in the manufacturing of Low Tension (LT) power cables, control cables, and instrumentation cables for supply to Andhra Pradesh and Telangana Transmission and Distribution companies. SCPL's plant is located in Patancheru, Hyderabad having manufacturing capacity of 150 tons per month.

### Recent Results

As per the audited results for FY2015, the company reported profit after tax of Rs. 0.08 crore on turnover of Rs 8.47 crore as against profit after tax of Rs 0.06 crore on turnover of Rs. 7.93 crore during FY2014.

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<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



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