

October 18, 2010

CARE REVISES THE LT BANK FACILITIES RATING AND REAFFIRMS THE ST BANK FACILITIES RATING AND ASSIGNS A 'PR1' RATING TO THE PROPOSED CPISSUE OF UNIVERSAL CABLES LTD

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	109.30 (reduced from Rs.129.98 cr.)	'CARE A' (Single A)	Revised from CARE A- [Single A Minus]
Short-term Bank Facilities	175 (enhanced from Rs.50 cr.)	'PR1' (PR One)	Reaffirmed
Long/Short-term Bank Facilities	125 (reduced from Rs.175 cr.)	'CARE A' (Single A)/PR1 (PR One)	Revised from CARE A- [Single A Minus]/ Reaffirmed
Total Facilities	409.30		
Commercial Paper (CP)*	30.00	'PR1' (PR One)	Assigned

* *carved out of Cash credit limits*

Rating Rationale

The revision in the long-term rating of UCL takes into account the improved procurement strategy characterised by the substantial reduction in interest cost and improved profitability. The ratings continue to derive strength from the long track record of the company, experienced promoters and management, presence in all verticals of power cables (up to 220 kv), technological tie-up and the positive outlook for the power sector. However, the ratings are constrained by the inherent volatility in input prices, fixed-price contracts and competition from the unorganised players. Furthermore, the ability of the company to successfully manage volatility of input prices and improve profitability margins are the key rating sensitivities.

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

Company Profile

Incorporated in 1945 and promoted by Shri M. P. Birla, UCL is engaged in the manufacturing and exporting of power and optical fibres and capacitors with its plants located at Satna, Madhya Pradesh (power cables and capacitors) and Verna, Goa (optical fibre). The company is managed by a seven-member Board which is at present headed by Mr. H. V. Lodha.

On a total income of Rs.479.48 crore, UCL earned a PAT of Rs.27.14 crore in FY10. As per provisional Q1FY11 results, UCL reported a PAT of Rs.4.35 crore on a total income of Rs.144.65 crore.

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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.

Disclaimer

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