



Press Release

Shreyash Aluminium and Alloys Pvt Ltd

September 28, 2020

Ratings

Sl. No.	Instrument/Facility	Amount Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities- Cash Credit	11.50	Provisional IVR A-(CE) ;Stable (Provisional IVR A Minus[Credit Enhancement] with Stable Outlook) *	Assigned
2.	Proposed Long Term Bank Facilities- Cash Credit	2.50	Provisional IVR A-(CE) ;Stable (Provisional IVR A Minus[Credit Enhancement] with Stable Outlook) *	Assigned
2.	Short Term Bank Facilities	10.00	Provisional IVR A2+(CE) (Provisional IVR A Two Plus [Credit Enhancement])*	Assigned
		24.00 (Rupees twenty four crore only)		

**Provisional CE rating backed by corporate guarantee from Cabcon India Limited (CIL) rated IVR A-; Stable/A2+*

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Shreyash Aluminium and Alloys Private Limited (SAAPL) derives strength from proposed unconditional and irrevocable corporate guarantee extended by Cabcon India Limited (CIL) to the bank facilities of SAAPL. This proposed corporate guarantee results in credit enhancement in the ratings of the said instruments to IVR A- (CE);Stable/IVR A2+ (CE) (IVR Single A Minus [Credit Enhancement] with Stable Outlook/ IVR A Two Plus [CreditEnhancement]) against the unsupported rating of IVR BB+; Stable (IVR Double B Plus withStable Outlook).

Further, the ratingsderive comfort from experienced promoters group with long track record of operation, reputed Clientele with low counter party payment risk, partially integrated operations of the group, stable financial performance albeit moderation in top line in FY20 (Prov.), satisfactory gearing and debt protection metrics of CIL and SAAPL and favourable outlook of cable/conductors and wires in India. However, these ratingstrengths are partially



Press Release

offset by susceptibility of operating margin to fluctuation in input prices, exposure to intense competition and elongated receivable cycle leading to high working capital intensity.

Key Rating Sensitivities:

Upward Factors:

- Significant improvement in scale of operations with continuous inflow of orders and improvement in profitability leading to improvement in cash accruals on a sustained basis
- Sustenance of the capital structure with improvement in TOL/TNW to below 3x and improvement in debt protection metrics
- Improvement in liquidity with improvement in the operating cycle and improvement in average working capital utilisation
- Continuance of support from the corporate guarantor and the promoters

Downward Factors:

- More than expected moderation in the scale of operations and/or deterioration in profit margin impacting the liquidity and debt coverage indicators.
- Moderation in the capital structure with overall gearing moderated to more than 1.5x
- Elongation in operating cycle leading to deterioration in the liquidity position
- Withdrawal of support from the corporate guarantor

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters group with long track record of operation**

Incorporated in 1991 by Mr. SB Fomra, Cabcon Group has a track record of about three decades of operations in the cables and conductor's industry. The promoters are vastly experienced in this industry and associated with this industry for past three decades. Presently, the day to day operations of the group is managed by Mr. Madan Mohan Fomra (Managing Director), Mr. Vijay Kumar Fomra and Mr. Manish Kumar Fomra (Sons of Mr. S.B.Fomra) each of whom are having experience of more than 20 years in this business well supported by a team of experienced personnel.

- **Proposed corporate guarantee from CIL**

CIL has proposed to extend corporate guarantee for the bank facilities of SAAPL. CIL is engaged in manufacturing and supply/export of Aluminium Conductors, PVC Aluminium



Press Release

Cables, LT Power and Control Cable and LT AB Cables used in power transmission and distribution with its two manufacturing facilities located at Howrah and Kolkata of West Bengal. Going forward, Infomerics believes timely, need based financial support will also be extended by the corporate guarantor, in case of pressure on cash flows.

- **Reputed Clientele with low counter party payment risk**

SAAPL has a diversified client base comprising various reputed private players. The Aluminium EC and Alloy wire rod manufactured by SAAPL are supplied to Lykos India Pvt. Ltd, Tata Steel Limited, Tata BSL Ltd, S.S. Industries, Cabcon India Limited, KCO Aluminium LLP & etc. for manufacturing of AAAC, ACSR & AAC conductors up to 765KV line. These Conductors are being supplied to NTPC, NHPC, Power Grid Corporation of India Ltd, DVC & State Electricity Boards and various Power Utility Sector & all the renowned Project executors like Larsen & T ubro Ltd, ABB Ltd, Siemens Ltd, Bajaj Electricals Ltd, Godrej Ltd & many more multinational companies.

- **Partially integrated operations of the group**

In fiscal 2008, the promoters of CIL set up another company, Shreyash Aluminium & Alloys Pvt Ltd (SAAPL) for manufacturing aluminium wire rods with a capacity of 18000 TPA. Before setting up SAAPL, CIL used to procure aluminium ingots from established players like Hindalco, NALCO, etc. along with various local players/traders. Thereafter, these ingots are given to group company, SAAPL for manufacturing of Aluminium wire rod (from which cables and conductors are made) on job work basis. The partially integrated nature of operations benefits the company in terms of quality output and overall performance efficiency.

- **Stable financial performance albeit moderation in top line in FY20 (Prov.) of CIL and SAAPL**

CIL's total operating income declined to Rs.493.00 crore in FY20 (Prov.) from Rs.537.86 crore in FY19 since the company was not able to meet its sales target for the month of March, 2020 due to sudden outbreak of COVID 19 and the ensuing lockdown. As observed from the past trend, the company generates maximum sales during the last month of the financial year. In spite of decline in total operating income in FY20 (Prov.) as compared to FY19, the EBITDA margin improved from 8.83% in FY19 to 9.51% in FY20 (Prov.) driven by higher absorption of fixed overheads with improved scale of operations and execution of



Press Release

high margin projects. Further, on account of decline in interest cost, PBT margin improved from 3.80% in FY19 to 4.51% in FY20 (Prov.). Consequently, PAT margin also improved from 2.43% in FY19 to 3.38% in FY20 (Prov.). GCA improved from Rs.15.84 crore in FY19 to Rs.19.95 crore in FY20 (Prov.). During Q1FY21, CIL achieved sales of Rs.48.05 crore from the manufacturing division and Rs.25.66 crore from the EPC division aggregating to Rs.73.71 crore. Infomerics expects, the performance of CIL will continue to remain stable in the near to medium term.

SAAPL's total operating income declined to Rs.78.32 crore in FY20 (Prov.) from Rs.91.52 crore in FY19 since the company was not able to meet its sales target for the month of March, 2020 due to sudden outbreak of COVID 19 and the ensuing lockdown. As observed from the past trend, the company generates maximum sales during the last month of the financial year. Decline in total operating income in FY20 (Prov.) as compared to FY19 resulted in moderation in EBITDA margin from 5.57% in FY19 to 4.94% in FY20 (Prov.). Further, on account of decline in interest cost, PBT margin improved from 1.45% in FY19 to 1.50% in FY20 (Prov.). Consequently, PAT margin also improved from 0.96% in FY19 to 1.13% in FY20 (Prov.). During Q1FY21, SAAPL achieved sales of Rs.21.50 crore with EBITDA margin of 5.12%.

- **Satisfactory financial profile marked by satisfactory gearing and debt protection metrics of CIL and SAAPL**

The capital structure of CIL remained moderate with almost nil Long-term debt to equity ratio and the overall gearing ratio at 0.97x as on March 31, 2020 (Prov.) (1.21x as on March 31, 2019) considering unsecured loans amounting to Rs.30.34 crore as on March 31, 2020 (Prov.) extended by associate concerns/directors as neither debt nor equity. In order to improve its capital structure and to reduce its overall leverage in the context of increasing scale of operations, the company had brought in fresh equity to the extent of Rs.5.00 crore in FY20. The debt coverage parameters like interest coverage ratio and Total debt to GCA remained satisfactory at 1.83x (1.50x in 2019) and 5.08x (6.29x in FY19) in FY20 (Prov.). TOL/ANW also remained satisfactory at 3.13x as on March 31, 2020 (Prov.).

The capital structure of SAAPL remained moderate with almost nil Long-term debt to equity ratio and the overall gearing ratio at 0.92x as on March 31, 2020 (Prov.) (0.95x as on March 31, 2019). The debt coverage parameters indicated by interest coverage ratio remained



Press Release

satisfactory at 1.62x (1.45x in 2019). However, Total Debt to GCA remains high at 12.64x (11.12x in FY19) in FY20 (Prov.).TOL/ANW also remained satisfactory at 1.76x as on March 31, 2020 (Prov.).

- **Favorable outlook of cable/conductors and wires in India**

The cables and conductor's industry is open to significant growth opportunities on account of investments planned in the power and infrastructure sectors by the government. Investment by the central government through schemes such as DeenDayalUpadhyaya Gram JyotiYojana (DDUGJY), Integrated Power Development Scheme (IPDS) and Saubhagya will continue to maintain the demand in the cables and conductors' segment.

Key Rating Weaknesses

- **Susceptibility of operating margin to fluctuations input prices**

Cabcon Group's operating margin is susceptible to volatility in its input prices (mainly aluminum). Any upward movements in the prices of aluminum, the primary raw material used in the manufacture of cables and conductors can have an adverse effect on the profit margins. However, the group limits this risk by hedging in the commodity markets (like MCX). Further, the group has escalation clause in most of its contracts.

- **Exposure to intense competition**

The industry is characterized by high fragmentation with a large number of unorganized players, constraining the pricing power of organised sector players. Apart from the unorganized sector, group also faces competition from the organized sector players.

- **Receivable cycle remains elongated leading to high working capital intensity of CIL and SAAPL**

The receivable cycle of CIL remained high, largely on account of elongated payment cycle from its clients and sizeable retention money in the EPC division.Clients for the manufacturing division receive credit of 60-90 days. However, at times payments are stretched further (mainly by government entities). For the EPC division, 60% of the bill amount is received against supply. About 30% is against erection (which usually takes anywhere between 5-6 months or even more) and the balance 10% is on account of retention money which is released post completion. The high working capital intensity is further reflected from almost full utilization of its fund-based limit during the 12 months ended



Press Release

June, 2020. However, the company optimizes the working capital cycle by availing higher credit period from its creditors (including stretching payments made to sister concerns for job work done). As a result, the working capital cycle stood at 106 days in FY20 (Prov.) (83 days in FY19 and 65 days in FY18).

The receivable cycle of SAAPL remained high, largely on account of elongated payment cycle from its clients. The high working capital intensity is further reflected from almost full utilization of its fund-based limit during the 12 months ended June, 2020. However, the company optimizes the working capital cycle by availing higher credit period from its creditors. As a result, the working capital cycle stood at 115 days in FY20 (Prov.) (94 days in FY19 and 64 days in FY18).

Analytical Approach:

Credit Enhancement (CE) rating: Assessment of the credit profile of Cabcon India Limited (CIL), provider of proposed unconditional and irrevocable corporate guarantee to the bank facilities of SAAPL.

Unsupported rating: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis nil repayment obligation and healthy unencumbered cash and bank balance of Rs.2.46 Crore as on March 31, 2020. The overall gearing remained comfortable at 0.92x as on March 31, 2020 (Prov.) indicating adequate gearing headroom. However, bank limits are almost fully utilized during the past 12 months ended June, 2020 indicating limited buffer.

About Shreyash Aluminium and Alloys Pvt Ltd

Incorporated in May, 2007, Shreyash Aluminium and Alloys Pvt Ltd (SAAPL) is engaged in manufacturing of Aluminums wire rods, flip coils, aluminum notch bars and special heat alloy rods. The manufacturing unit of company is located at NH-6 Bombay Road at Dhulagarh Industrial Park, Howrah with an installed capacity of 18000 MTPA.

About Cabcon India Limited



Press Release

Cabcon India Ltd (CIL) was initially incorporated as a private limited company by Kolkata(West Bengal) based Mr. S.B. Fomra. CIL is engaged in manufacturing and supply/export of Aluminium Conductors, PVC Aluminium Cables, LT Power and Control Cable and LT ABCables used in power transmission and distribution with its two manufacturing facilities located at Howrah and Kolkata (Both are in the state of West Bengal) with an aggregate capacity of 30,000 MT for manufacturing of cables and conductors. In order to diversify its operations, the company has ventured into execution of turnkey projects for installation of power distribution lines and sub-stations under different schemes of the Central Government since 2010. In 2018, the constitution of the company was converted into a public limited company.

Financials: CIL (Proposed Guarantor)

(Rs. crore)

For the year ended* / As On	31-12-2019	31-12-2020
	Audited	Provisional
Total Operating Income	537.86	493.00
EBITDA	47.48	46.87
PAT	13.27	16.79
Total Debt	99.70	101.43
Tangible Net worth	82.43	104.60
EBITDA Margin (%)	8.83	9.51
PAT Margin (%)	2.43	3.38
Overall Gearing Ratio (x)	1.21	0.97

*Classification as per Infomerics' standards.

Financials (Standalone of SAAPL)

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	91.52	78.32
EBITDA	5.10	3.87
PAT	0.89	0.88
Total Debt	14.39	14.79
Tangible Net worth	15.10	16.06
EBITDA Margin (%)	5.57	4.94
PAT Margin (%)	0.96	1.13
Overall Gearing Ratio (x)	0.95	0.92

*Classification as per Infomerics' standards.



Press Release

Status of non-cooperation with previous CRA:BWR has moved the rating of SAAPL to issuer non cooperating category vide its press release dated March 18,2020 due to lack of cooperation from the client and in absence of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1..	Cash Credit	Long Term	11.50	Provisional IVR A-[CE]/ Stable Outlook*	-	-	-
2.	Proposed Cash Credit	Long Term	2.50	Provisional IVR A-[CE]/ Stable Outlook*	-	-	-
3.	Letter of Credit	Short Term	7.00	Provisional IVR A2+[CE]*	-	-	-
4.	Export Invoice Financing	Short Term	3.00	Provisional IVR A2+[CE]*	-	-	-

***based on proposed corporate guarantee from Cabcon India Limited**

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:



Press Release

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits- Cash Credit	-	-	-	11.50	Provisional IVR A- [CE]/ Stable Outlook*
Proposed Long Term Fund Based Limits- Proposed Cash Credit	-	-	-	2.50	Provisional IVR A- [CE]/ Stable Outlook*
Short Term Non-Fund Based Limits- Letter of Credit	-	-	-	7.00	Provisional IVR A2+ [CE]*
Short Term Non-Fund Based Limits- Export Invoice Financing	-	-	-	3.00	Provisional IVR A2+ [CE]*

**backed by proposed corporate guarantee from Cabcon India Limited*