



Press Release

Oswal Cables Private Limited
March 06, 2024

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
1.	Long Term Bank Facility	62.57	IVR BBB/ Positive (IVR Triple B with Positive Outlook)	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed with change in Outlook/Assigned for enhanced amount	Simple
2.	Short Term Bank Facility	118.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed /Assigned for enhanced amount	Simple
	Total	180.57	Rupees One Hundred Eighty Crores and Fifty Seven Lakhs Only.			

Details of Facilities are in Annexure 1.

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long-term rating at IVR BBB with change in outlook from Stable to Positive and short-term rating reaffirmed at IVR A3+ for the bank loan facilities of Oswal Cables Private Limited (OCPL). Further IVR has assigned the rating of IVR BBB+ with Positive Outlook for long term and IVR A3+ for short term to enhanced limits of OCPL.

The rating reaffirmation continues to factor in the long experience of promoters with established track record of operation, increasing scale of operations, healthy order book position and comfortable financial risk profile albeit elongated debtor days. However, these strengths are partially offset by susceptibility of margins to any adverse movement in the raw materials and exposure to risks related to tender-based business and dependence on Government contracts.

The change in outlook from Stable to Positive is on account of improved performance in FY23 & 9MFY24, besides healthy order book position providing revenue visibility in short to medium term. IVR believes that the OCPL's business & financials risk profile is expected to be maintained or improved over the medium term.



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Key Rating Sensitivities:

Upward Factors

- Significant improvement in the operating income and profitability resulting in further improvement in the financial risk profile and liquidity profile of the company.
- Improvement in the capital structure of the company and effective working capital management.

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the capital structure & liquidity position of the company.

IVR has principally relied on the standalone audited financial results of OCPL up to FY23, three years projected financials till FY26, and publicly available information/ clarifications provided by the company's management.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with established track record of operation

The company has been established for more than five decades and is currently promoted by Mr. Manak Talera and Mr. Surendra Talera who have more than 40 years of experience respectively in the cables and conductor industry. Mr. Puneet Talera handles strategic and marketing of the company for last 10+ years and Mr. Gaurav Talera, take care of production and operational matters.

Improved Scale of Operations

The total operating income (TOI) of the company has witnessed increasing trend in past three fiscal years. Due to Covid-19 disruptions company's TOI has declined in FY20. However, during FY21-FY23 it has witnessed growth with CAGR of ~39%; total operating income (TOI) excluding other income has improved from Rs.200.86 crore in FY21 to Rs. 270.77 crore in FY22 and further improved to 336.56 in FY23 on the back of good order book position and currently registered revenue of Rs ~348 Crs in 9MFY24.

Healthy order book position

The company had an outstanding order book of ~Rs 533 Crs as on Dec 2023, being ~1.6 times of sales in FY23 to be executed, which provides the revenue visibility in short to medium term. The order book includes private companies comprising major portion, while the balance orders are from the State Electricity Board (SEBs). The order book includes domestic orders aggregating to Rs. 266.89 crore and export orders aggregating to Rs 266.17 crore.



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Comfortable financial risk profile albeit elongated debtors

The company has comfortable debt protection metrics having interest service coverage ratio (ISCR) at 2.52x and debt debt service coverage ratio (DSCR) at 1.97x in FY23. It has comfortable current ratio at 1.32x in FY23 indicates the ability of the company to meet its current liabilities from its current assets. OCPL's operating profit margin has improved from 5.35% in FY22 to 7.99% and net profit margins has improved from 1.62% in FY22 to 3.39% in FY23. The overall gearing stood average at 1.30x in FY23 (PY:1.37x) in FY22, while gearing on adjusted net worth is 0.82x in FY23. Total indebtedness of the company as reflected by the TOL/ATNW at 2.17x in FY23 (PY:2.15x). The debtor period of the company is elongated more than 90 days i.e. receivable period is 130 days (PY:114 days), however the operating cycle is satisfactory at 65 days owing to low inventory period at 25 days only while payable days are 89 days in FY23.

Key Rating Weaknesses

Susceptibility of margins to any adverse movement in the raw materials

The raw material is major cost, which constitutes more than 80% of the total production cost of the company, while it stood at ~82% to the total revenue in FY23. Any adverse change in the prices of raw materials such as aluminium, steel, insulating paper, transformer core, PVC compound etc could affect the profit margins of the company.

Exposure to risks related to tender-based business

Some part of the revenue depends on success in winning tenders in a competitive bidding process on government orders, due to which the margins available to the company are restricted to an extent. Turnover from State Electricity Board (SEBs) and power discoms constitutes around one third of the turnover and due to the tender base nature, there is a risk of decline in income if the company doesn't get sufficient orders.

Applicable Criteria:

Rating Methodologies for Manufacturing Entities

Financial Ratios & Interpretation Non- Financial Sector

Criteria for assigning rating outlook

Liquidity – Adequate

OCPL's has generated gross cash accruals (GCA) of Rs.13.55 crore in FY23 as against repayment obligation of Rs.3.22 Crs and expected to have GCA over Rs 20 Crs against repayment obligation of Rs 6.37 Crs for FY24. The company's fund-based working capital limits for last 12 months ending Dec,2023 stood at ~59% indicating sufficient cushion available in case of requirement. The company has a current ratio of 1.32x as of March 31, 2023. The



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company had free cash and cash equivalents amounting to Rs. 7.24 crore as on March 31, 2023. All these factors reflect adequate liquidity position of the company.

About the Company

Oswal Cables Private Limited (OCPL) was incorporated in 1971. The company is engaged in manufacturing aluminium conductors, cables and transformers for overhead power transmission and distribution lines at its manufacturing facilities in Jaipur and Hyderabad. OCPL is an ISO 9001:2000 certified company. OCPL has a presence in engineering, procurement, and construction (EPC) segment for turnkey transmission and distribution projects wherein it benefits from its established presence in conductors and power cables business. OCPL is also into wind power generation having windmills with an aggregate installed capacity of 4.11 MW across states like Rajasthan, Gujarat and Maharashtra.

Financials (Standalone):

	(Rs. crore)	
For the year ended*/As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	270.77	336.56
EBITDA	14.48	26.91
PAT	4.39	11.45
Total Debt	57.65	69.55
Adjustable Tangible Net worth	56.58	67.57
EBITDA Margin (%)	5.35	7.99
PAT Margin (%)	1.62	3.39
Adjusted Gearing Ratio (x)	0.76	0.82

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA:

Brickwork Ratings moved the rating to Issuer Non-Cooperation category dated 22 June 2023 due to information insufficiency and lack of management cooperation.

Any other information: Nil



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Rating History for last three years:

S. No	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating 13 Feb, 2024	Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating		Date(s) & Rating(s) assigned in 2022-23 (16 March,2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund Based	Long Term	62.57	IVR BBB/ (Positive)	IVR BBB/ (Positive)	IVR BBB/ Stable	-	-
2.	Short Term Non-Fund Based	Short Term	118.00	IVR A3+	IVR A3+	IVR A3+	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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- Term Loan	-	-	-	8.19	IVR BBB/ Positive
Long Term- Covid Loan				9.38	IVR BBB/ Positive
Long Term Bank Facility – Cash Credit	-	-	-	45.00	IVR BBB/ Positive
Short Term Bank Facility -LC	-	-	-	35.00	IVR A3+
Short Term Bank – BG	-	-	-	83.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Len-Oswal-06032024.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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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