Press Release

Anvil Cables Private Limited

March 19, 2020

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Fund Based Facilities- Cash Credit	48.00 (enhanced by Rs.5.00 crore)	IVR BBB+ / Stable Outlook (IVR Triple B plus with Stable Outlook)	Reaffirmed
Long Term Fund Based Facilities- SLC	4.00	IVR BBB+ / Stable Outlook (IVR Triple B plus with Stable Outlook)	Reaffirmed
Short Term Non-Fund Based Facilities – Bank Guarantee	69.18 (including proposed limit of Rs.3.00 crore and enhanced by Rs.20.34 crore)	IVR A2 (IVR A Two)	Reaffirmed
Short Term Non-Fund Based Facilities – Letter of Credit	24.00 (reduced by Rs.4.00 crore)	IVR A2 (IVR A Two)	Reaffirmed
Total	**145.18**		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Anvil Cables Private Limited (ACPL) continues to derive comfort from its experienced promoters, reputed clientele and strategic location of the plant. The ratings also consider satisfactory financial performance of the company in FY19 and in 9MFY20 with comfortable gearing and debt protection metrics in FY19. The ratings also derive comfort from its healthy order book position indicating a satisfactory revenue visibility in near term and favorable industry outlook. However, these rating strengths continues to remain partially offset by susceptibility of operating margin to fluctuations in input prices, intense competition and elongated receivable cycle with moderate working capital intensity.

Key Rating Sensitivities:

Upward Factor:

- Continuous inflow of orders with improvement in scale of operations, profitability and cash accruals by securing repeated orders from its existing set of customers through timely and successful completion of contracts on a sustained basis.
- Improvement in the capital structure.

Downward factor:

- Deterioration in overall gearing to over 2 times.

- Moderation in the scale of operations and/or deterioration in profit margin impacting the liquidity and debt coverage indicators.
- Significant debt funded capex.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

Anvil Cables Private Limited (ACPL) is promoted by Mr. Tushar Dalmia and Mrs. Renu Dalmia having more than ten years of experience in the manufacturing of cables and conductors and have been instrumental in setting up the manufacturing facility at Jamshedpur. They are actively involved in the day-to-day operations of the company. The promoter directors are well supported by a team of experienced professionals.

- **Reputed Clientele**

The company's customer base consists of reputed Government companies and large private companies engaged in Electrification business as evident from the order book of the company. The repeat orders received from its clientele validates its capabilities. Though ACPL has low bargaining power with its customers, its clientele base has sound credit risk profile, which does reduce the counter party payment risk to a certain extent. The top ten customers comprise ~75% of the sales in FY19.

- **Strategic location of the plant**

The plant is located at Jamshedpur, Jharkhand, which is an industrially developing area as it is centrally located and very close to the heart of the industrial belt of Jharkhand. The site area is well developed and has all necessary infrastructure facilities.

- **Satisfactory financial performance in FY19 and 9MFY20**

ACPL's total operating income (TOI) grew at a CAGR of 18.48% during FY17-19 with a y-o-y growth of ~6% in FY19 over FY18 mainly driven by rise in contribution from the rural electrification business along with healthy demand for the manufacturing division. Strong execution capability and timely delivery of orders has led to continuous order flows which has helped the company to scale up its operations steadily. The EBITDA margin improved from 9.96% in FY18 to 10.82% in FY19 driven by higher absorption of fixed overheads with improved scale of operations and addition of revenue from relatively high margin rural electrification projects. The PAT margin of the company also witnessed an increasing trend over the past three years and stood at 4.11% in FY19 (4.03% in FY18).

During 9MFY20, the company's total operating income stood approximately at Rs.295.10 crore.

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

The capital structure of the company improved and remained comfortable with long term debt equity ratio and overall gearing at 0.03x and 0.37x respectively as on March 31, 2019 as against 0.03x and 0.45x respectively as on March 31, 2018. TOL/TNW also remained satisfactory at 1.55x as on March 31, 2019. The debt coverage parameters like interest coverage ratio and Total debt to GCA continued to remain satisfactory at 2.39x (2.85x in 2018) and 1.85x in fiscal 2019 (2.33x in FY18).

- **Healthy order book position**

ACPL's unexecuted order book position as on January 31, 2020 stood at around Rs.443.59 crore (~1.08 times of its FY19 operating income) comprising pending orders worth ~Rs.248.44 crore for the EPC division and ~Rs.195.15 crore from the manufacturing division. The orders for cables and conductors (manufacturing division) are expected to be executed over 8 to 12 months while the EPC orders will be executed over 1.5-2 years, indicating a satisfactory near to medium term revenue visibility.

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

The outlook for cable/conductors is favorable on account of continuous increase in government's focus to increase power generation capacity in the country through its various initiatives like Power to all, Deendayal Upadhyay Gram Jyoti Yojana (DDUGJY), Ujwal Discom Assurance Yojana (UDAY), etc., along with reduction in Transmission and Distribution (T&D) losses and thrust on rural electrification.

Key Rating Weaknesses

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

ACPL'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 risk is mitigated to a large extent due to largely back to back order policy of the company. Further, the company has escalation clause in most of its contracts.

- **Intense competition**

The industry is characterized by high fragmentation with a large number of unorganised players, constraining the pricing power of organised sector players. Apart from the unorganized sector, ACPL also faces competition from the organized sector players. Its growth is intertwined with the growth of the economy at large and is dependent on government finances. However, ACPL has enough scope to obtain new orders on account of Government's continuous focus on development of the industry.

- **Elongated receivable cycle with moderate working capital intensity**

The receivable cycle of ACPL remained high, largely on account of elongated payment cycle from its clients and sizeable retention money in the EPC division. The operating cycle continued to remain high at 86 days in FY19 (85 days in FY18). The average working capital limit utilisation remained moderate at ~75% during the past twelve months ended December 31, 2019.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity of the company is expected to remain adequate in the near to medium term marked by sufficient accruals vis-à-vis its debt repayment obligations. The current ratio and quick ratio remained comfortable at 1.53x and 1.07x respectively as on March 31, 2019. The overall gearing stood at 0.37x as on March 31, 2019 indicating a sufficient gearing headroom. The average working capital limit utilisation also remained moderate at ~75% during the past twelve months ended December 31, 2019 indicating moderate liquidity buffer. The free cash and bank balance as on February 29, 2020 stood at Rs.1.07 crore. Also, the outstanding amount of Bank Guarantee as on February 29, 2020 stood at Rs.57.16 crore.

About the Company

Anvil Cables Private Limited (ACPL) was incorporated in 2001 by the Dalmia family of Kolkata to manufacture aluminium conductors. ACPL manufactures complete range of cables and conductors with an installed capacity of 29000 MT per annum. ACPL is also a Government of India recognized Two Star Export House. The company has its manufacturing facility located at Jamshedpur, Jharkhand. ACPL ventured into execution of EPC activities for rural electrification works for Jharkhand Bijli Vitran Nigam Limited (JBVNL). The company also received a project from Assam Power Distribution Company Limited for supply, installation, testing and commissioning of smart metering with Advanced Metering Infrastructure (AMI) under Ujwal Discom Assurance Yojana (UDAY) scheme launched by the Government. The project will start from March, 2020.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	387.76	411.71
EBITDA	38.64	44.56
PAT	15.67	17.01
Total Debt	39.31	34.16
Tangible Net worth	76.19	93.20
EBITDA Margin (%)	9.96	10.82
PAT Margin (%)	4.03	4.11
Overall Gearing Ratio (x)	0.45	0.37

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Cash Credit	Long Term	48.00 (enhanced by Rs.5.00 crore)	IVR BBB+/ Stable Outlook	IVR BBB+/ Stable Outlook (December 20, 2018)	-	-
2.	SLC	Long Term	4.00	IVR BBB+/ Stable Outlook	IVR BBB+/ Stable Outlook (December 20, 2018)	-	-
3.	Term Loan	Long Term	Nil (outstanding as on December 31, 2019)	-	IVR BBB+/ Stable Outlook (December 20, 2018)	-	-
4.	Bank Guarantee	Short Term	69.18 (including proposed limit of	IVR A2	IVR A2 (December 20, 2018)	-	-

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
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			Rs.3.00 crore and enhanced by Rs.20.34 crore)				
5.	Letter of Credit	Short Term	24.00 (reduced by Rs.4.00 crore)	IVR A2	IVR A2 (December 20, 2018)	-	-

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:

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.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Ratings Assigned/ Outlook
Long Term Fund Based Facilities - Cash Credit	-	-	-	48.00 (enhanced by Rs.5.00 crore)	IVR BBB+ / Stable Outlook
Long Term Fund Based Facilities- SLC	-	-	-	4.00	IVR BBB+ / Stable Outlook
Short Term Non-Fund Based Facilities – Bank Guarantee	-	-	-	69.18 (including proposed limit of Rs.3.00 crore and enhanced by Rs.20.34 crore)	IVR A2
Short Term Non-Fund Based Facilities – Letter of Credit	-	-	-	24.00 (reduced by Rs.4.00 crore)	IVR A2
Total				**145.18**	