Press Release

Cabcon India Limited
December 27, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	221.75 (includes proposed facility of 4.00) (enhanced from 152.75)	IVR A-/ Stable (IVR A minus with Stable outlook)	IVR A-/ Stable (IVR A minus with Stable outlook	Reaffirmed	**Simple**
Short Term Bank Facilities	602.00 (enhanced from 381.00)	IVR A2+ (IVR A two plus)	IVR A2+ (IVR A two plus)	Reaffirmed	**Simple**
Total	**823.75 (INR Eight hundred twenty- three crore and seventy five lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed the ratings assigned to the bank facilities of Cabcon India Limited (CIL) on the back of experienced promoters with long track record of operation in cables and conductors industry, improvement in topline and profit in FY24 (refers to period from April 1 2023 to March 31, 2024) and H1FY25 (provisional), moderate capital structure along with adequate debt protection metrics, demonstrated support from the promoters, diversified product and revenue mix, reputed clientele with low counter party payment risk, healthy order book position, partially integrated operations and a favourable outlook of cable/conductors and wires in India. However, these rating strengths are partially offset by high working capital intensity of operations, susceptibility of operating margin to fluctuation in input prices and exposure to intense competition, leading to range-bound margins.

The long-term rating outlook is 'Stable' since the company will continue to benefit from its experienced management and strong order book along with healthy demand for cables, conductors and wires, which will boost its topline and profits.

Key Rating Sensitivities:

Upward Factors

- 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 and improvement in debt protection metrics.
- Improvement in liquidity with improvement in the operating cycle and improvement in average working capital utilisation.

Downward Factors

- More than expected moderation in the scale of operations and/or deterioration in profit margin impacting the liquidity and debt coverage indicators.
- Withdrawal of subordinated unsecured loans and/or moderation in the capital structure with deterioration in overall gearing.
- Significant elongation of collection period beyond Infomerics' expectation which may adversely impact the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with long track record of operation in cables and conductor's industry**

Incorporated in 1991 by late Mr. S.B Fomra, CIL has a track record of more than three decades of operations in the cables and conductors industry. The promoters are vastly experienced in this industry and associated with this industry for past three decades. Presently, the day-today operations of the company are managed by Mr. Madan Mohan Fomra (Manging 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.

- **Improvement in topline and profit in FY24 and H1FY25**

The total operating income increased by ~76% y-o-y to Rs. 951.25 crore in FY24 from Rs. 539.19 core in FY23 (refers to period from April 1, 2022, to March 31, 2023) due to increase in revenue from both manufacturing and EPC division. The sales increased due to high demand for cable and conductors and execution of higher EPC contracts. With the increase in top line, absolute EBITDA improved to Rs. 86.78 crore in FY24 from Rs.49.63 crore in FY23. EBIDTA margin of 9.12% declined slightly compared with the previous year EBITDA margin of 9.20%, due to high initial set up cost for the execution of the EPC projects. However, PAT margin improved slightly to 3.23% in FY24 from 3% in FY23 due to increase in non-operational income which was mostly interest income, partly offset by an increase in interest charges and depreciation. Further in H1FY25 (prov), the topline grew by ~77% to Rs. 607.42 as compared to H1FY24, EBIDTA margin improved by 47 bps while PAT margin increased by 106 basis points due to benefit derived from economies of scale. Infomerics notes that a sustained increase in topline and profit will be a key rating factor going ahead.

- **Moderate capital structure along with adequate debt protection metrics**

The company's debt comprises mainly of working capital borrowings from banks, long term unsecured loans (from sister concern, shareholders, etc), and term loan which is taken for the capex. Total debt as on March 31, 2024, was Rs. 225.42 crore up from Rs. 136.41 crore primarily due to increase in working capital borrowing. Adjusted networth (adjusted for investment in related entity of Rs. 12.35 crore and Rs. 28.10 crore of unsecured loan treated as quasi equity) was Rs. 195.61 crore as on March 31, 2024, up from adjusted networth (adjusted for investment in related entity of Rs. 8.55 crore and Rs. 27.66 crore of unsecured loan treated as quasi equity) of Rs. 163.31 crore as on March 31, 2023. The overall gearing ratio deteriorated to 1.15 times as on March 31, 2024, from 0.84 times as on March 31, 2023, due to increase in interest bearing mobilisation advance, bank borrowing and term loan. Total indebtedness of the company marked by TOL/ATNW moderated to 2.64x as on March 31, 2024, from 2.03x as on March 31, 2023. Due to increase in EBITDA partly offset by an increase in interest cost in FY24, interest coverage ratio remained stable at 1.84x in FY24 from 1.80x in FY23. DSCR was 1.48 times in FY24 (1.41 times in FY23).

- **Demonstrated support from the promoters**

The promoters supported the business by arranging funds as required in the form of unsecured loans (Rs.28.10 crore outstanding as on March 31, 2024, has been treated as quasi equity) and have demonstrated positive commitments since inception. In FY24, the promoters brought in fresh capital to the extent of Rs. 5 crore to meet capex requirements for expansion of cable manufacturing by 6000 mtpa which is likely to commence in January 2025.

- **Diversified product and revenue mix**

CIL is engaged in the business of manufacturing of wide range of cables (LT Power Cable, LT Control Cable and LT Aerial Bunched Cable, PVC Aluminium Cables) and conductors (All Aluminium Conductors (AAC), All Aluminium Alloy Conductors (AAAC), Aluminium Conductor Steel Reinforced (ACSR), Aluminium Alloy Conductor Steel Reinforced (AACSR) which finds applications in various industries which primarily includes Power Transmission & Distribution Lines, Rural Electrification, etc. Recently the company has introduced AL 59 conductor. Further, the manufacturing operations contributed around Rs.623.10 crore [~65% of its total operating income in FY24] [~Rs.462 crore (~86% of TOI) in FY23]. Besides the company is also involved in EPC work for installation of power distribution lines and sub-stations under different schemes of the Central Government. EPC segments catered to around Rs.328 crore [~35% of its total operating income in FY24] [~Rs.77.40 crore (~14% of TOI) in FY23]. In H1FY25 the share of revenue from EPC has increased to 54% of TOI to Rs. 330.42 crore while that of manufacturing is Rs. 277.00 crore (46% of TOI). The company's business in EPC segment is increasing now and it carries a higher margin that manufacturing business, which is expected to lead to improvement in EBITDA margins in the projected years.

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

CIL is an approved vendor for supply of conductors and cables with Power Utilities like Power Grid Corporation of India Limited, West Bengal State Electricity Distribution Co. Ltd., TP Central Odisha Distribution Limited and other major state electricity transmission, and distribution companies. Moreover, the company is also an approved vendor with renowned EPC project executors like L&T, Techno Electric & Engineering Co. Limited, Electro steel Casting Limited among others. Also the company's EPC contracts are with various state government bodies in West Bengal, Assam, Chhattisgarh, Bihar etc. Though CIL 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.

- **Healthy order book position**

As on 1st December 2024, the company had manufacturing order book of Rs. 1015.02 crore and EPC order book was Rs. 946.75 crore. On a combined basis the unexecuted order of Rs. 1961.77 crore is 2.06 times of FY24 revenues, which provides visibility for topline growth in the future years. Further the company has in pipeline manufacturing order of Rs. 350.00 crore.

- **Partially integrated operations**

In the year 2008, the promoters of CIL set up another company, Shreyash Aluminium & Alloys Pvt Ltd (SAAPL) for manufacturing aluminium wire rods with a capacity of 24000 TPA. The company procures 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 entire requirement for aluminium wire rods is met from SAAPL. The partially integrated nature of operations benefits the company in terms of quality output and overall performance efficiency.

- **Favourable 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 Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY), Integrated Power Development Scheme (IPDS) and Saubhagya will continue to maintain the demand in the cables and conductors' segment. Also, the government approval of the Revamped Distribution Sector Scheme (RDSS) to help DISCOMs improve their operational efficiencies has boosted demand for cables and conductors in India, thus benefitting players like CIL.

Key Rating Weaknesses

- **High working capital intensity of operations**

The operating cycle of CIL remained elongated though improved to 86 days in FY24 from 126 days in FY23. The elongated operating cycle is largely on account of stretched receivable cycle due to existence of sizeable retention money in the debtors of EPC division. However, the average receivable cycle improved to 104 days in FY24 from 140 days in FY23 with realisation of EMD amount from the EPC division. The average inventory holding period also improved to 68 days in FY24 from 107 days in FY23 primarily on account of movement of inventory due to execution of the turnkey projects of EPC division. In EPC segment there is inspection of the samples before the delivery and as a result the work in progress remains high at the closure of the project, inflating the average inventory holding period. Due to the impact of averaging, inventory period remains high. However, the company optimises the working capital cycle by availing higher credit period from its creditors (including stretching payments made to sister concerns for job work done).

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

CIL's operating margin is susceptible to volatility in its input prices (mainly aluminium). The company procures raw material from majors like NALCO, Hindalco under MOU along with various traders. Any upward movements in the prices of aluminium, the primary raw material used in the manufacture of cables and conductors, can have an adverse effect on the profit margins. However, the company limits this risk by hedging in the commodity markets (like MCX). Further, the company has escalation clause in most of its contracts.

- **Exposure to intense competition; leading to range-bound margins**

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, CIL also faces competition from the organized sector players. The EBITDA margins have remained range-bound between ~9-10% over the last few years given the intense competition and fragmentation in the industry.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY25-FY27. The average fund based utilisation for the past twelve months ended Nov 2024 was moderate at 70% indicating some liquidity cushion. The current ratio also was moderate at 1.37x as on March 31, 2024.

About the Company

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 of Aluminium Conductors, PVC Aluminium 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 (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 (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	539.19	951.25
EBITDA	49.63	86.78
PAT	16.26	30.88
Total Debt	136.41	225.42
Adjusted Tangible Net Worth	163.31	195.61
EBITDA Margin (%)	9.20	9.12
PAT Margin (%)	3.00	3.23
Adjusted Overall Gearing Ratio (x)	0.84	1.15
Interest Coverage (x)	1.80	1.84

* *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 Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Nov 21, 2023)	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22 (Sep 24, 2021)
						Dec 21, 2022	July 11, 2022	
1.	Term Loan	Long Term	17.75	IVR A-/ Stable	IVR A-/ Stable	-	-	-
2.	Cash Credit	Long Term	164.00*	IVR A-/ Stable	IVR A-/ Stable	IVR A-/ Stable	IVR BBB+/ Positive	IVR BBB+/ Stable
3.	Overdraft	Long Term	40.00	IVR A-/ Stable	IVR A-/ Stable	-	-	-
4.	ILC/FLC	Short Term	185.00	IVR A2+	IVR A2+	IVR A2+	IVR A2	IVR A2
5.	Proposed ILC/FLC	Short Term	-	-	-	IVR A2+	IVR A2	IVR A2
6.	Bank Guarantee	Short Term	379.00	IVR A2+	IVR A2+	IVR A2+	IVR A2	IVR A2
7.	Proposed Bank Guarantee	Short Term	-	-	-	IVR A2+	IVR A2	IVR A2
8.	Letter of Guarantee	Short Term	11.00	IVR A2+	IVR A2+	-	-	-
9.	Corporate Invoice Financing	Short Term	27.00	IVR A2+	-	-	-	-

*includes proposed cash credit of Rs. 4 crore

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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.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	March 2031	17.75	IVR A-/ Stable
Cash Credit 1	-	-	-	16.00	IVR A-/ Stable
Cash Credit 2	-	-	-	62.00	IVR A-/ Stable
Cash Credit 3	-	-	-	14.00	IVR A-/ Stable
Cash Credit 4	-	-	-	17.00	IVR A-/ Stable
Cash Credit 5	-	-	-	26.00	IVR A-/ Stable
Cash Credit 6	-	-	-	25.00	IVR A-/ Stable
Proposed Cash Credit	-	-	-	4.00	IVR A-/ Stable
Overdraft	-	-	-	40.00	IVR A-/ Stable
ILC/FLC 1	-	-	-	18.00	IVR A2+
ILC/FLC 2	-	-	-	68.00	IVR A2+
ILC/FLC 3	-	-	-	24.00	IVR A2+
ILC/FLC 4	-	-	-	31.00	IVR A2+
ILC/FLC 5	-	-	-	19.00	IVR A2+

ILC/FLC 6	-	-	-	25.00	IVR A2+
Bank Guarantee 1	-	-	-	180.00	IVR A2+
Bank Guarantee 2	-	-	-	46.00	IVR A2+
Bank Guarantee 3	-	-	-	43.00	IVR A2+
Bank Guarantee 4	-	-	-	50.00	IVR A2+
Bank Guarantee 5	-	-	-	60.00*	IVR A2+
Letter of Guarantee	-	-	-	11.00	IVR A2+
Corporate Invoice Financing	-	-	-	27.00	IVR A2+

Sublimit of Bank guarantee includes- ILC of Rs. 50.00 crore and FLC of Rs. 10.00 crore

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Cabcon-India-dec24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Name of the Security		Detailed Explanation
	Financial Covenant	
	i.	
	ii.	
	Non-financial Covenant	
	i.	
	ii.	

Annexure 4: List of companies considered for Combined analysis: Not applicable

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.