



## Press Release

### Delton Cables Limited

Oct 11, 2023

#### Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long term Bank Facilities	47.86	IVR BBB- with Stable Outlook (IVR Triple B Minus With Stable Outlook)	IVR BBB- with Stable Outlook (IVR Triple B Minus With Stable Outlook)	Re-affirmed	Simple
Short Term Bank Facilities	59.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Re-affirmed	Simple
<b>Total</b>	<b>106.86</b> <b>(Rupees one Hundred and Six Crores and Eighty-Six lakhs Only)</b>				

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has re-affirmed long term rating of IVR BBB- and short-term rating of IVR A3 for the bank loan facilities of Delton Cables Limited (DCL).

The rating draws comfort from the extensive experience of the promoters in the industry, established relationship with its customers and suppliers, moderate order book position indicating near to medium term revenue visibility, increase in scale of operations and profitability. However, these strengths are partially offset by moderate net worth and raw material prices are susceptible to volatility.

IVR has principally relied on the standalone audited financial results of Delton Cables Limited upto 31 March 2023, projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Continuous inflow of orders with improvement in scale of operations, profitability and cash accruals.
- Improvement in the average collection period with improvement in liquidity

#### **Downward Factors**

- Moderation in the scale of operations and/or deterioration in profit margin impacting the liquidity and debt coverage indicators.
- Deterioration in the capital structure.
- Deterioration in working capital cycle through further elongation in collection period

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters**

DCL is headed by Mr. V.K. Gupta, who is the Chairman of the company and has an experience of over 42 years in the cable manufacturing industry. Mr. Vivek Gupta, his son, oversees the day-to-day affairs of the company. He has a key role in assessing the market and is actively involved in developing the marketing network for the company's products. Ms. Shriya Gupta, Mr. Gupta's daughter, looks after the business development aspects of the company.

##### **Improvement in financial performance during FY23**

The topline of the company increased to Rs. 272.14 crore in FY23 as against Rs. 159.66 crore in FY22, depicting a y-o-y increase of ~70.65% on the back of increase in volume of sales of wires, driven by improvement in economic and operating environment. Consequently, the profits before tax and cash accruals of the company also improved marginally in FY23. EBITDA of the company increased to Rs. 18.24 crore however PAT of the company decreased



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to 0.60 crore (*due to Deferred tax of Rs. 6.07 Crore*) respectively in FY2023 from Rs. 12.22 crore and Rs. 0.78 crore respectively in FY2022.

### **Moderate financial risk profile albeit leveraged capital structure.**

The company has satisfactory capital structure on account of tangible net worth of Rs.41.84 crore as on March 31, 2023 (Rs.35.09 crore in FY22). The overall gearing stood average at 1.95x in FY23 as against 2.01x in FY22. Total indebtedness of the company is reflected by the TOL/TNW at 3.05x in FY23 as against 2.97x in FY22. This marginal deterioration was on account of an increase in external borrowings. The debt protections parameters were comfortably marked by interest service coverage ratio (ISCR) from 1.59x in FY22 to 1.56x in FY23.

### **Reputed clientele**

The company's customer base consists of reputed Public sector companies and large private companies engaged in manufacturing of cables and conductors and electrification business as evident from the order book of the company. The repeat orders received from its clientele validates its capabilities. Though DCL has low bargaining power with its customers, its clientele base has sound credit risk profile, which reduce the counter party payment risk to a certain extent.

### **Favorable outlook of cable/conductors (the end consumer) 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 along with reduction in Transmission and Distribution (T&D) losses and thrust on rural electrification.



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### Key Rating Weaknesses

#### **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, DCL also faces competition from the organized sector players. The EBITDA margins have remained range-bound between 7.80% - 6.70% over the last few years given the intense competition and fragmentation in the industry.

#### **Elongated receivable period although Improvement in FY23**

The receivable cycle of DCL continues to remain high, largely on account of elongated payment cycle whereby money is normally realised from the debtors in ~90 days. However, the average collection period improved in FY23 due to improved market conditions and recovery in operating environment. Also, all the receivables of the company are from dominant reputed clients, the debtor's profile of the company is satisfactory. Despite the company's operating cycle stretched to 133 days in FY23 from 195 days in FY22, However the same continues to remain improved in projected period.

**Analytical Approach:** Standalone

#### **Applicable Criteria :**

[Rating Methodologies for Manufacturing Entities](#)  
[Financial Ratios & Interpretation Non- Financial Sector](#)  
[Criteria for assigning rating outlook](#)

#### **Liquidity – Adequate**

DCL has generated a gross cash accrual of Rs. 7.85 crore in FY23 against the debt repayment obligation of Rs. 2.41 crore. Further, the company liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY23. The



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average utilization of fund-based bank limits for last 12 months ended July 2023 stood at 95.90% indicating limited buffer to meet incremental requirements. The current ratio stood at 1.38x as on March 31, 2023.

### **About the Company**

Delton Cables Limited (DCL), incorporated in 1964 by Lt. Sh. R.K. Gupta as a private limited company and later, was converted into a public limited in 1981. Presently Sh. V.K. Gupta (s/o Lt. Sh. R.K. Gupta) is the promoter, and the company is listed on Bombay Stock Exchange. It is engaged in the manufacturing of wires and cables, power cables, radio high frequency cables & PVC compound. It is also into the manufacturing of switch gears. It sells products under its own brand name - 'DELTON'.

### **Financials (Standalone):**

For the year ended* As on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	159.66	272.14
EBITDA	12.22	18.24
PAT	0.78	0.60
Total Debt	70.54	81.63
Tangible Net worth*	35.09	41.84
EBITDA Margin (%)	7.65	6.70
PAT Margin (%)	0.49	0.22
Overall Gearing Ratio (x)	2.01	1.95

\*as per Infomerics standards

**Status of non-cooperation with previous CRA :** The ratings of Delton Cable moved to be classified under Issuer Not Cooperating category by Brickwork as per Press Release dated June 08, 2023, due to unavailability of information.

**Any other information:** Nil

**Rating History for last three years:**



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Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 Dated : Dec 30, 2022	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	7.86	IVR BBB- with Stable Outlook (IVR Triple B Minus With Stable Outlook)	IVR BBB- with Stable Outlook (IVR Triple B Minus With Stable Outlook)	-	-
2.	Cash Credit	Long Term	40.00	IVR BBB- with Stable Outlook (IVR Triple B Minus With Stable Outlook)	IVR BBB- with Stable Outlook (IVR Triple B Minus With Stable Outlook)	-	-
2.	LC/BG*	Short Term	59.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	-	-

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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).





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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 visit [www.infomerics.com](http://www.infomerics.com).

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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 Bank Facilities – Term Loan	-	-	-	7.86	IVR BBB- with Stable Outlook (IVR Triple B Minus With Stable Outlook)
Long term Bank Facilities – Cash Credit				40.00	IVR BBB- with Stable Outlook (IVR Triple B Minus With Stable Outlook)
Short term Bank Facilities – Bank				59.00	IVR A3 (IVR A Three)



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Guarantee/Letter of Credit					
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**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Delton-oct23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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](http://www.infomerics.com)

