



Press Release

Delton Cables Limited

December 30, 2022

Ratings

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities – (Fund Based)	40.17	IVR BBB- with Stable Outlook (IVR Triple B Minus With Stable Outlook)	Assigned	Simple
Short Term Bank Facilities –	50.00*	IVR A3 (IVR A Three)	Assigned	Simple
Total	90.17 (Rupees Seventy Crores Only)			

*Includes Proposed limit of Rs 7.00 Crore

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Delton Cables Limited (DCL) derives comfort from its experienced promoters, improvement in financial performance during FY22 and H1FY2023, reputed clientele, satisfactory gearing with moderate debt protection metrics and favourable industry outlook. However, these rating strengths are partially offset by intense competition leading to its range bound margins and elongated receivable period.

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.



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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.

Improvement in financial performance during FY22 and 6MFY2023

The topline of the company increased to Rs. 159.66 crore in FY22 as against Rs. 123.15 crore in FY21, depicting y-o-y increase of ~28.52% on the back of increase in sales of wires, driven by improvement in economic and operating environment. Consequently, the profits and cash accruals of the company also improved marginally in FY22. EBITDA and PAT increased to Rs. 12.22 crore and Rs. 0.78 crore, respectively in FY2022 from Rs. 9.60 crore and Rs. 0.64 crore respectively in FY2021. Also, the company achieved a topline of Rs.123.95 crore in 6MFY23 as against a topline of Rs. 70.21 crore in 6MFY22, registering a y-o-y increase of ~76.54%. Consequently, EBITDA increased to Rs. 9.66 crore from Rs.4.75 crore in 6MFY23. PAT improved to Rs.3.33 crore in 6MFY23 from a net loss of Rs. 0.19 crore in 6MFY22.

Reputed clientele

The company's customer base consists of reputed Government 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 does reduce the counter party payment risk to a certain extent.



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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.

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 9.59.-7.65% over the last few years given the intense competition and fragmentation in the industry.

Elongated receivable period

The receivable cycle of DCL continues to remain high at 80 days in FY22, 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 FY22 due to improved market conditions and recovery in operating environment. All the receivables of the company are from dominant reputed clients, the debtor's profile of the company is satisfactory.

Analytical Approach: Standalone

Applicable Criteria :

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



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Liquidity – Adequate

DCL has estimated to generate a gross cash accrual of Rs. 9.27 crore in FY23 against the debt repayment obligation of Rs. 2.40 crore. Further, the company liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY23. The average utilization of fund-based bank limits for last 12 months ended October 2022 stood at 95.63% indicating limited buffer to meet incremental requirements. The current ratio stood at 1.38x as on March 31, 2022. Further, the company has adequate cash and cash equivalents amounting to Rs.5.17 crore as on March 31, 2022.

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):

	(Rs. crore)	
For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	123.15	159.66
EBITDA	9.60	12.22
PAT	0.64	0.78
Total Debt	62.41	70.54
Tangible Net worth*	34.05	35.09
EBITDA Margin (%)	7.80	7.65
PAT Margin (%)	0.51	0.49
Overall Gearing Ratio (x)	1.83	2.01

*as per Infomerics standards

Status of non-cooperation with previous CRA : Nil

Any other information: Nil

Rating History for last three years:



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Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan/Cash Credit	Long Term	40.17	IVR BBB- with Stable Outlook (IVR Triple B Minus With Stable Outlook)	-	-	-
2.	LC/BG*	Short Term	50.00	IVR A3 (IVR A Three)			

*includes Proposed Loan of Rs 7.00 Crore

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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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	-	-	-	8.17	IVR BBB- with Stable Outlook (IVR Triple B Minus With Stable Outlook)
Long term Bank Facilities – Cash Credit				32.00	IVR BBB- with Stable Outlook (IVR Triple B Minus With Stable Outlook)
Short term Bank Facilities – Bank Guarantee				19.00	IVR A3 (IVR A Three)
Short term Bank Facilities – Letter of credit				24.00	IVR A3 (IVR A Three)
Short term Bank Facilities – LC/BG (Proposed)	-	-	-	7.00	IVR A3 (IVR A Three)

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-Cables-dec22.pdf>



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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

