



Press Release

Oswal Cables Private Limited

March 16, 2023

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	52.64	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	93.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Total	145.64	Rupees One Hundred Forty Five Crore and Sixty Four Lakhs Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BBB with a Stable Outlook and short term rating of IVR A3+ for the bank loan facilities of Oswal Cables Private Limited (OCPL).

The rating draws comfort from its experienced promoters with established track record of operation, increasing scale of operations, healthy order book position and moderate financial risk profile albeit leveraged capital structure. 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.

IVR has principally relied on the standalone audited financial results of OCPL upto 31 March 2022 and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in the operating income and profitability resulting in the improvement of the financial risk profile and liquidity profile of the company.
- Effective working capital management with improvement in operating cycle and liquidity.



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Downward Factors

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

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 the last five decades and is currently managed by Mr. Manak Talera and Mr. Surendra Talera who have more than 40 and 30 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.

Increasing 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 FY22 it has witnessed growth marked by total operating income of Rs.200.86 crore in FY21 to Rs. 270.77 crore in FY22.

Healthy order book position

The company had an order book of Rs.442.25 crore as on December 31, 2022, being 1.65 times of sales in FY22 to be executed in the next 6-7 months, which provides the revenue visibility in short to medium term. The order book includes private companies comprising a major portion of ~75%, while the balance orders are from the State Electricity Board (SEBs). The order book includes domestic orders aggregating to Rs. 135.56 crore and export orders aggregating to Rs.306.69 crore.



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Moderate financial risk profile albeit leveraged capital structure

The company has satisfactory capital structure on account of tangible net worth of Rs.42.17 crore as on March 31, 2022 (Rs.37.78 crore in FY21). The overall gearing stood average at 1.37x in FY22 as against 1.34x in FY21. This marginal deterioration was on account of increase in external borrowings. Total indebtedness of the company as reflected by the TOL/TNW at 3.22x in FY22 as against 2.58x in FY21. The debt protections parameters were comfortable marked by increase in interest service coverage ratio (ISCR) from 1.94x in FY21 to 3.31x in FY22.

Key Rating Weaknesses

Susceptibility of margins to any adverse movement in the raw materials

The raw material cost constitutes ~88% of the total operating cost of the company which stood at ~84% to the total revenue in FY22. 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 and dependence on government contracts

Revenue depends on success in winning tenders in a competitive bidding process, due to which the margins available to the company are restricted. 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.

Analytical Approach: For arriving at the ratings, IVR has analysed OCPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria for assigning rating outlook](#)



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Liquidity – Adequate

OCPL's has generated gross cash accruals of Rs.6.52 crore in FY22 as against Rs.3.20 crore of repayment obligation. The company's fund-based working capital limits for last 12 months ending December 2022 stood at ~45% indicating sufficient cushion available in case of adversities. The company has a current ratio of 1.36x as of March 31, 2022. Moreover, the company is expected to generate cash accruals in the range of Rs. 9.00 to Rs. 13.00 crore as against its debt servicing obligation of ~Rs.3.20 to Rs. 6.00 crore FY23-25. The company has moderate free cash and cash equivalents amounting to Rs.5.56 crore as on March 31, 2022. 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 aluminum 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*	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	200.86	270.77
EBITDA	8.34	14.48
PAT	1.76	4.39
Total Debt	50.50	57.65
Adjusted Tangible Net worth	52.28	56.58
EBITDA Margin (%)	4.15	5.35
PAT Margin (%)	0.87	1.62
Overall Gearing Ratio (x)	0.69	0.76

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.



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Any other information: Nil

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (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	Long Term	6.79	IVR BBB/ Stable	-	-	-
2.	Cash Credit	Long Term	35.00	IVR BBB/ Stable	-	-	-
3.	Covid Loans	Long Term	10.85	IVR BBB/ Stable	-	-	-
4.	Letter of Credit	Short Term	35.00	IVR A3+	-	-	-
5.	Bank Guarantee	Short Term	58.00	IVR A3+	-	-	-

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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.

For more information visit 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 Facility-Term Loan	-	-	-	6.79	IVR BBB/ Stable
Long Term Facility-Cash Credit	-	-	-	35.00	IVR BBB/ Stable
Long Term Facility-Covid Loans	-	-	-	10.85	IVR BBB/ Stable
Short Term Facility-Letter of Credit	-	-	-	35.00	IVR A3+
Short Term Facility-Bank Guarantee	-	-	-	58.00	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-OswalCables-mar23.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 [Complexity Level of Rated Instruments/Facilities](#).



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