

# Infomerics Valuation And Rating Pvt. Ltd.

## Press Release

### Anvil Electricals Private Limited

November 08, 2019

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Facilities- Term Loan	1.69* (reduced from Rs.2.08 crore)	IVR BBB- / Stable Outlook (IVR Triple B minus with Stable Outlook)	Reaffirmed
Long Term Fund Based Facilities- Cash Credit	22.92 (including proposed limit of Rs. 13.92 Cr)	IVR BBB- / Stable Outlook (IVR Triple B minus with Stable Outlook)	Reaffirmed
Long Term Bank Facilities – Bank Guarantee	4.00	IVR BBB- / Stable Outlook (IVR Triple B minus with Stable Outlook)	Reaffirmed
Short Term Bank Facilities – Letter of Credit	4.00	IVR A3 (IVR A Three)	Reaffirmed
<b>Total</b>	<b>32.61</b>		

\* outstanding as on September 30, 2019

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The aforesaid ratings continues to derive comfort from its experienced promoters with long track record in the conductor industry, synergies derived from the Group companies and locational advantages. The ratings also factors in satisfactory gearing and debt protection metrics and favourable outlook of the cables/conductor industry in India. However, the ratings are constrained by price volatility risk, marketing risks and intense competition.

#### Key Rating Sensitivities

##### Upward factors

- Sharp increase in scale of operations and profitability
- Significant improvement in capital structure and debt protection metrics

##### Downward factors

- Deterioration in overall gearing to over 1.5 times
- Deterioration in profit margin and debt coverage indicators

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

##### Key Rating Strengths

##### Experienced promoters and long track record

## **Infomerics Valuation And Rating Pvt. Ltd.**

Anvil Electricals Pvt Limited is a part of the Anvil Group promoted by Mr. Tushar Dalmia and Mrs. Renu Dalmia having more than ten years of experience in the manufacturing of 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.

### **Locational advantage**

The plant is located at Large Sector, Adityapur Industrial Estate, Jamshedpur, Jharkhand, which is centrally located in the industrial belt of Jharkhand and well connected with nearby raw material procurement areas. Further, being close to the neighbouring states of West Bengal, Chhattisgarh, Bihar & Orissa, there will be easy access to larger market.

### **Synergies with Anvil Cables Private Limited**

Anvil Cables Private Limited (rated: IVR BBB+ / Stable; IVR A2 on December 20, 2018) and Anvil Electricals Private Limited have common promoters who oversee the operations of both the companies. The synergies are obtained from same line of business and the ability of the promoter to allocate common resources as per pressing needs among the two companies.

### **Satisfactory gearing and debt protection metrics**

The capital structure of the company remained moderate with long term debt equity ratio of 0.24x and overall gearing of 1.26x as on March 31, 2019 (considering the unsecured loans amounting to Rs.8.66 crore as on March 31, 2019 crore as neither debt nor equity). The debt coverage parameters like interest coverage ratio and Total debt to GCA remained satisfactory at 2.06x and 4.93x respectively in fiscal 2019. TOL/ANW also remained satisfactory at 3.15x as on March 31, 2019.

### **Favourable outlook of cables/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.

## **Infomerics Valuation And Rating Pvt. Ltd.**

### **Key Rating Weaknesses**

#### **Susceptibility of operating margin to fluctuations input prices**

AEPL's operating margin is susceptible to volatility in its input prices (mainly aluminium). 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 risk is mitigated to an extent due to largely back to back order policy of the company.

#### **Exposure to 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, AEPL also faces competition from the organized sector players. Its growth is intertwined with the growth of the economy at large. However, the company has sufficient orders in its hand which is to be executed by FY20.

#### **Marketing risks**

The company commenced operations from July, 2018. Accordingly, it is in its nascent stage of operations with no demonstrated track record and is yet to stabilise. However, AEPL enjoys benefits under various schemes launched by the Government which mitigates this risk to an extent.

#### **Analytical Approach:** Standalone

#### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Group Support

#### **Liquidity – Adequate**

The liquidity profile of the company is expected to be adequate in the near to medium term marked by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs.4.18 crores as on March 31, 2019. The current ratio was comfortable at 1.44x as on March 31, 2019. However, its average bank limit utilisations are on the higher side to the

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extent of ~98% during the past 12 months ended on September, 2019 indicating a limited buffer.

### About the Company

Anvil Group laid its foundation one decade back as a manufacturer of conductors used in the power sector. Anvil Cables Private Limited, Flagship Company of the group, was formed in 2002 with an idea to commence manufacturing of aluminium cables. The company is registered in the state of West Bengal and having its Works at Jamshedpur, Jharkhand. The operations of the company are conducted under overall supervision, control and guidance of Mr. Tushar Dalmia & Mrs. Renu Dalmia, the promoter directors. Anvil manufactures the complete range of overhead conductors with an installed capacity of 29,000 MT per annum. Driven by the growing demand, Anvil group decided to increase the overall installed capacity and hence, started implementing the project of manufacturing of overhead conductors with a stated capacity of 9000 MTPA under the name of M/s Anvil Electricals Private Limited (AEPL) in 3.5 acres of land acquired on 30 years long term lease at Adityapur Industrial Estate, Jamshedpur, Jharkhand. The total cost of the project was Rs.9.50 crore which was funded at a debt equity ratio of 0.28:1. The project is completed and production commenced from July, 2018.

**Financials (Standalone):** The company commenced operations from July, 2018. The financials for FY19 is furnished below:

<b>(Rs. crore)</b>	
<b>For the year ended* / As On</b>	<b>31-03-2019</b>
	<b>Audited</b>
Total Operating Income	72.19
EBIDTA	5.15
PAT	1.84
Total Debt *	10.93
Tangible Net worth	8.71
EBIDTA Margin (%)	7.13
PAT Margin (%)	2.54
Overall Gearing Ratio (x) *	1.26

*\*Unsecured loans from relatives and body corporates have been considered as neither debt nor equity. Accordingly, overall gearing have been calculated without considering the unsecured loans.*

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Nil

**Rating History for last three years:**

## Infomerics Valuation And Rating Pvt. Ltd.

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.	Long Term Fund Based Limits - Term Loan	Long Term	1.69* (reduced from Rs.2.08 crore)	IVR BBB- / Stable Outlook	IVR BBB- / Stable Outlook (August 29, 2018)	-	-
2.	Long Term Fund Based Limits - Cash Credit	Long Term	22.92 (including proposed limit of Rs. 13.92 Cr)	IVR BBB- / Stable Outlook	IVR BBB- / Stable Outlook (August 29, 2018)	-	-
3.	Long Term Non Fund Based Limits - Bank Guarantee	Short Term	4.00	IVR BBB- / Stable Outlook	IVR BBB- / Stable Outlook (August 29, 2018)	-	-
4.	Short Term Non Fund Based Limits – Letter of Credit	Short Term	4.00	IVR A3	IVR A3 (August 29, 2018)	-	-

\* outstanding as on September 30, 2019

**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).

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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.

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# Infomerics Valuation And Rating Pvt. Ltd.



## 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	-	-	March, 2024	1.69* (reduced from Rs.2.08 crore)	IVR BBB- /Stable Outlook
Long Term Bank Facilities - Cash Credit	-	-	-	22.92 (including proposed limit of Rs. 13.92 Cr)	IVR BBB- /Stable Outlook
Long Term Bank Facilities – Bank Guarantee	-	-	-	4.00	IVR BBB- /Stable Outlook
Short Term Bank Facilities – Letter of Credit	-	-	-	4.00	IVR A3

\* outstanding as on September 30, 2019