

Cords Cable Industries Ltd.

February 25, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long Term Bank Facilities-Fund Based	71.00 (61.56)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Short-Term Bank Facilities-Fund Based	10.50 (18.00)	CARE A3 (A Three)	Reaffirmed
Long/Short Term Bank-Facilities-Non Fund Based	161.00 (148.00)	CARE BBB; Stable/ CARE A3 (Triple B; Outlook: Stable/ A Three)	Reaffirmed
Total facilities	242.50 (Rupees Two Hundred Forty Two crore and Fifty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Cords Cable Industries Limited (CCIL) continue to derive strength from the experience of the promoter in the cable industry, CCIL's long track record of operations and its established position in the control and instrumentation cables market coupled with a diversified and reputed client base and an increasing focus on diverse sectors. The ratings also takes into consideration moderate scale, working capital intensive nature of operations, susceptibility of margins to volatility in raw material prices and presence of the company in a highly competitive cable industry. Going forward, the ability of the company to increase its scale of operations, improve its profitability margins and operational performance as well as effectively manage its working capital cycle would be key rating sensitivities.

Rating Sensitivities

Positive rating sensitivities

- Sustained improvement in scale of operation above Rs.600 cr backed by operational performance.
- Sustained improvement in PBILDT margin over 13%

Negative rating sensitivities

- Decline in scale of operations below Rs.350 cr.
- Decline in PBILDT margin below 6%

Detailed description of key rating drivers

Key Rating Strengths

Experienced promoter with long track-record of operations in the cable industry: Mr. Naveen Sawhney, promoter and MD of CCIL, has been associated with the cable industry for over four decades with extensive experience in the manufacturing of cables. He holds a post graduate diploma in management. Further, CCIL has been engaged in the business of manufacturing of cables since 1991 and over the years has expanded capacities and increased its product portfolio. The company started with setting-up its facility in Chopanki, Rajasthan and in FY12, the company set-up a second manufacturing unit in Kaharani, Rajasthan, with an aggregate installed capacity of 65,000 km across different product-lines.

Diversified and reputed clientele base marked by addition of new clients in hydrocarbon sector: CCIL is an approved supplier for several PSUs from oil sector and is also an approved vendor for the supply of cables to hydrocarbon refineries (under Bharat VI compliance. With the diversification of clientele base across sectors like hydrocarbons, automobile, cement, power, freight corridors etc. CCIL has a low customer concentration risk which is evident by the fact that the top 4 customers contributed around 25% (PY: 21%) of net sales in FY19.

Strong Demand Drivers for Control & Instrumentation Cables and CCIL's Increased Exposure towards Emerging Sectors:

Under the central scheme Fuel Gas Desulphurization (FGD), GoI has identified 1,80,000 MW of thermal power where emissions of toxic gases is to be reduced and under the Bharat VI compliance 14 hydrocarbon refineries are to be upgraded by FY20. New infrastructure projects like the upgrading of existing and setup additional airports as planned by the Airport Authority of India. The company is gradually shifting its focus towards sectors like hydrocarbons, freight corridor, fertilizers and infrastructure projects from where the demand is expected to grow in coming years. The percentage of sales from Power sector has been continuously decreasing from 29% in FY17 to 15% in FY19. However, the usage of power cables is not restricted to the power sector alone and is used in other sectors like metro/freight, fertilizers, cement & metals etc. Therefore, the company's capacity for power cables will not be obsolete.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Moderate financial risk profile: During FY19, CCIL reported total operating income of Rs.418.44 crore as against total operating income of Rs.367.09 crore in FY18, registering y-o-y growth of 14%. PBILDT margin moderated slightly from 9.37% in FY18 to 8.72% in FY19. However, overall PAT margin improved slightly from 1.71% in FY18 to 1.76% in FY19. Overall gearing including acceptances remained moderate at 0.94x as on March 31, 2019. Other coverage indicators such as Total debt/ GCA and Interest coverage ratio remained moderate during FY19 at 9.48x (9.33x) and 1.87x (1.74x) respectively.

Key Rating Weaknesses

Working capital intensive nature of operations: CCIL's operations are working capital intensive in nature. The company buys the bulk of the raw materials (Copper, PVC, GI Wire, etc.) in spot markets where the payment is required to be backed by inland LC of 120-150 days. CCIL extends credit period of around 75 to 90 days to its customers. During the 12-month period ending November, 2019, average utilization of fund-based working capital borrowings stood at around 77.05%. Further, maximum utilization of non-fund based working capital borrowings stood at around 85.19% during November, 2019.

Susceptibility of margins to volatility in raw material prices: The Company's business is raw material intensive with raw material costs forming majority of the total operating cost (around 86.3%). The major raw materials used by CCIL include Copper, PVC, G.I. wire etc, with copper forming around 71.69% of the total raw material costs. A major portion of copper is procured from Vedanta (70%) and the rest from Hindalco and Trafigura. The company arrives at the bidding price for a contract based on the average monthly LME price and therefore the price fluctuations of copper is incorporated in the contract price. After getting the order, copper is billed to the company at the spot price, however at month end, the average rate during the month is charged to the company and the net effect of the billing rate and the average rate is settled.

Liquidity: Adequate

Adequate liquidity characterized by adequate cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs.0.34 Crore as on March 31, 2019. Its capex requirements for next three are modular and expected to be funded using internal accrual of Rs.12 Crore for which it has sufficient headroom. Its bank limits are utilized to the extent of 80%, supported by above unity current ratio.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short-term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

About the Company

CCIL was incorporated in October 1991 as 'Cords Cable Industries Private Limited' and was later converted into 'Public Limited' on May 10, 2006. The company is engaged in the manufacturing of cables which find application across industries viz, power, hydrocarbons, fertilizers, metal & cement, fertilizers amongst others. The product range of the company includes instrumentation cables, control cables (upto 1.10 KV) and low tension (LT) power cables (upto 1.10 KV) with revenue contribution of 50.10%, 35.14% and 14.76%, respectively in FY19. CCIL has two manufacturing facilities located in Bhiwadi, Rajasthan with total installed capacity of 65,000 (Kaharani: 35,000 km set-up in 2011 with capacity almost fully utilized and Chopanki; 30,000 km set-up in 2002) as on March 31, 2019.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	367.09	418.44
PBILDT	34.40	36.50
PAT	6.26	7.35
Overall gearing (times)	0.84	0.94
Interest coverage (times)	1.74	1.87

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	71.00	CARE BBB; Stable
Fund-based-Short Term	-	-	-	10.50	CARE A3
Fund-based-LT/ST	-	-	-	0.00	CARE BBB; Stable / CARE A3
Non-fund-based-LT/ST	-	-	-	161.00	CARE BBB; Stable / CARE A3
Non-fund-based - ST-BG/LC	-	-	-	0.00	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based-Long Term	LT	71.00	CARE BBB; Stable	-	1)CARE BBB; Stable (28-Dec-18)	1)CARE BBB; Stable (12-Sep-17)	1)CARE BBB-; Stable (20-Jan-17)
2.	Fund-based-Short Term	ST	10.50	CARE A3	-	1)CARE A3 (28-Dec-18)	1)CARE A3 (12-Sep-17)	1)CARE A3 (20-Jan-17)
3.	Fund-based-LT/ST	-	-	-	-	1)CARE BBB; Stable / CARE A3 (28-Dec-18)	1)CARE BBB; Stable / CARE A3 (12-Sep-17)	1)CARE BBB-; Stable / CARE A3 (20-Jan-17)
4.	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (20-Jan-17)
5.	Non-fund-based-LT/ST	LT/ST	161.00	CARE BBB; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3 (28-Dec-18)	1)CARE BBB; Stable / CARE A3 (12-Sep-17)	1)CARE BBB-; Stable / CARE A3 (20-Jan-17)
6.	Non-fund-based - ST-BG/LC	-	-	-	-	1)CARE A3 (28-Dec-18)	1)CARE A3 (12-Sep-17)	1)CARE A3 (20-Jan-17)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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