

Cords Cable Industries Limited

October 07, 2022

Ratings

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|--|--|--|---------------|
| Long Term Bank Facilities | 55.80 | CARE BBB; Stable (Triple B; Outlook: Stable) | Reaffirmed |
| Long Term / Short Term Bank Facilities | 159.00 | CARE BBB; Stable / CARE A3 (Triple B; Outlook: Stable/ A Three) | Reaffirmed |
| Short Term Bank Facilities | 50.50 | CARE A3 (A Three) | Reaffirmed |
| Total Bank Facilities | 265.30 (₹ Two Hundred Sixty-Five Crore and Thirty Lakhs Only) | | |

Details of instruments/facilities in Annexure-1.

Detailed rationale and 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, company'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 to scale up operations. However, the ratings are constrained by moderate financial risk profile of company marked by moderate debt coverage indicators and working capital intensive nature of operations coupled with susceptibility of margins to volatility in raw material prices and company's presence in fragmented and competitive cable industry.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Sustained improvement in scale of operations and PBILDT margin above 10.50%.
- Overall gearing below 0.70x on a sustained basis.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Decline in PBILDT margin below 7%.
- Deterioration in overall gearing above 1.20x.

Detailed description of the key rating drivers

Key rating strengths

Improved operational performance albeit moderate profitability margins: The company has reported growth in total operating income of 35.43% in FY22 (April 2021 to March 2022) over FY21 (April 2020 to March 2021) and same is stood at Rs. 437.99 Cr in FY22 (PY Rs.323.51 Cr.). The improvement in operating income is on account of increase in demand post COVID on account of growth in the power and Infrastructure sector coupled with growth in real estate, railways, telecom and refineries supported by govt initiatives and better sale realisations. In Q1FY23 (April 2022 to June 2022) CCIL has achieved total operating income of Rs. 123.00 Cr. Further, the PBILDT margin of the company has declined to 8.73% in FY22 (PY 10.77%) owing to increased competition with limited bargaining power and to support the volume growth after COVID.

Experienced promoters with long track-record of operations: 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 has manufacturing facilities at Chopanki, Rajasthan and Kaharani, Rajasthan, with an aggregate installed capacity of 65,000 km across different product-lines.

Established relationship with reputed customers: 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 Stage VI compliance). The clients of the company include IOCL, BPCL (rated CARE AAA (CWD)/ CARE A1+), HPCL, CPCL, BORL, Kochi Refinery, MRPL, Numaligarh

¹Complete definition of the ratings assigned are available at [HYPERLINK "http://www.careedge.in"](http://www.careedge.in) www.careedge.in and other CARE Ratings Ltd.'s publications

Refinery, HPCL-Mittal refinery, and others. Apart from the above, company has a diversified client base spread across sectors which include cement, power, freight corridors, fertilizers & chemicals and FMCG etc.

Diversified range of products: The company has a diversified range of products which includes Instrumentation Cable, Control Cable LT Power Cable having varied industry uses. The major proportion of revenue comes from control cable (39%) and instrumentation cable (33%) and remaining from LT power cable of total sale.

Key rating weaknesses

Volatility in Raw material prices: Price-volatility in company's basic raw materials like Copper, Aluminium, Steel, and PVC etc. has severely impacted the price per unit of the company. To mitigate this risk, company hedges its position by fixing the prices with suppliers like Vedanta and others for approx. 3 months. Also, at any given point of time, company does not take more than 3-5 months of order booking. Major portion of the contract is based on variable prices and rest on firm prices. This way, company protects itself against price rise to a large extent.

Working capital intensive Nature of operations: The company is majorly dependent upon working capital borrowings to meet its short-term requirements and has highly working capital-intensive nature of operations. This is primarily because the company has to provide a credit period of around 90 days to the customers. During FY22 working capital cycle of the company has improved to 89 days as on March 31, 2022 (PY 109 days) on account of faster collection from reputed buyers and limiting the sale to small buyers due to slow recovery. The faster collection has resulted in improvement in cash flow from operations to Rs. 29.57 Cr in FY22 (PY 17.91 Cr). Further, the inventory holding days has slightly improved to 60 days as on March 31, 2022 (PY 77 days). The company is required to maintain adequate inventory of raw materials for the smooth running of its production processes and meet delivery schedules which requires the company to stock up the requisite inventory. Therefore, the company has inventory days of around 2 to 2.5 months. Though, payable days of the company remained around 3 months with working capital days of 89 days during FY22 (PY: 105 days).

Moderate financial Risk: The financial risk profile of the company stood moderated marked by comfortable overall gearing and improved debt coverage indicator. The total debt of the company comprises of term loan and working capital loan. The overall gearing of the company has moderated marginally and stood at 0.88 times as on March 31, 2022 (0.81 times as on March 31, 2021) on account of increased working capital limit o/s as on March 31, 2022. Further the interest coverage ratio and Total debt to GCA has improved and stood at 1.63x and 10.00x respectively in FY22 as against 1.53x and 10.53x respectively in FY21.

Liquidity: Adequate

Company has adequate liquidity driven by expected gross cash accruals of Rs 17.01 crore in FY23 as against repayment of Rs 7.88 crore. Further, company utilization levels stood at to 89% in last 12 months ending August 2022 due to increased working capital requirement owing to increasing scale of operations and working capital intensive nature of operations. The fresh sanction of term loan of Rs. 7.50 Cr for plant and machinery in FY22 along with proposed term loan of Rs. 10.00 Cr from RIICO for general purpose in FY23 and no major capex envisaged in the future. Current ratio was moderate at 1.41x times as on March 31, 2022. Considering no major capex envisaged in the future, current ratio is estimated to remain comfortable to meet its repayment obligations.

Analytical approach: Standalone

Applicable criteria

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

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

[Rating Methodology-Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology- Liquidity Analysis of Non-Financial Sector Entities](#)

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 promoted by Mr. Naveen Sawhney who has been associated with the cable industry for over four decades with extensive experience in the manufacturing of cables. The company is engaged in the manufacturing of Low-Tension Cables (up to 1.1kV), Control Cables (up to 1.1kV) and Instrumentation cables (up to 1.1kV).

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | Q1FY23 |
|----------------------------|--------------------|--------------------|--------|
| Total operating income | 323.51 | 437.99 | 123.61 |
| PBILDT | 34.87 | 38.24 | 8.42 |
| PAT | 4.36 | 6.37 | 1.73 |
| Overall gearing (times) | 0.81 | 0.88 | NA |
| Interest coverage (times) | 1.53 | 1.63 | NA |

A: Audited; NA: Not Applicable; Q1FY23 (April 2022 to June 2022)

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---------------------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Term Loan | | - | - | June 2026 | 12.24 | CARE BBB; Stable |
| Fund-based - ST-Factoring/ Forfeiting | | - | - | - | 50.50 | CARE A3 |
| Fund-based-Long Term | | - | - | - | 43.56 | CARE BBB; Stable |
| Non-fund-based - LT/ ST-BG/LC | | - | - | - | 159.00 | CARE BBB; Stable / CARE A3 |

Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|----------------------------|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Fund-based-Long Term | LT | 43.56 | CARE BBB; Stable | - | 1)CARE BBB; Stable (26-Nov-21) | 1)CARE BBB; Stable (07-Oct-20) | 1)CARE BBB; Stable (25-Feb-20) |
| 2 | Fund-based - ST-Factoring/ Forfeiting | ST | 50.50 | CARE A3 | - | 1)CARE A3 (26-Nov-21) | 1)CARE A3 (07-Oct-20) | 1)CARE A3 (25-Feb-20) |
| 3 | Non-fund-based - LT/ ST-BG/LC | LT/ST* | 159.00 | CARE BBB; Stable / CARE A3 | - | 1)CARE BBB; Stable / CARE A3 (26-Nov-21) | 1)CARE BBB; Stable / CARE A3 (07-Oct-20) | 1)CARE BBB; Stable / CARE A3 (25-Feb-20) |

| | | | | | | | | |
|---|---------------------------|----|-------|------------------|---|--------------------------------|--------------------------------|---|
| 4 | Fund-based - LT-Term Loan | LT | 12.24 | CARE BBB; Stable | - | 1)CARE BBB; Stable (26-Nov-21) | 1)CARE BBB; Stable (07-Oct-20) | - |
|---|---------------------------|----|-------|------------------|---|--------------------------------|--------------------------------|---|

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of various instruments rated for this company

| Sr. No. | Name of Instrument | Complexity Level |
|---------|---------------------------------------|------------------|
| 1 | Fund-based - LT-Term Loan | Simple |
| 2 | Non-fund-based - LT/ ST-BG/LC | Simple |
| 3 | Fund-based - ST-Factoring/ Forfeiting | Simple |
| 4 | Fund-based-Long Term | Simple |

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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