

## Cords Cable Industries Limited

October 04, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	62.65 (Enhanced from 55.80)	CARE BBB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	159.00	CARE BBB; Stable / CARE A3	Reaffirmed
Short Term Bank Facilities	50.50	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

### 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: Factors likely to lead to rating actions

#### Positive factors

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

#### Negative factors

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

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings believes that the entity shall sustain its growth in operational performance over the medium term on back of company's established position in the control and instrumentation cables market, improving financial risk profile along with adequate liquidity position.

### Detailed description of the key rating drivers:

#### Key strengths

**Improved operational performance albeit moderate profitability margins:** The company has reported growth in total operating income of ~20% in FY23 (refer to period from April 01 to March 31) over FY22 and stood at Rs. 526.25 Cr for FY23 (PY Rs. 438.16 Cr.). The improvement in operating income is on account of increase in demand from existing as well as new customers and improved sales realisations. The PBILDT margin of the company, however, declined to 7.51% in FY23 (PY: 8.76%) owing to increased competition with limited bargaining power. In Q1FY24 (refer to period from April 01 to June 30) CCIL has achieved total operating income of Rs. 135.26 Cr.

In Q1FY24 (refer to period from April 01 to June 30) CCIL has achieved total operating income of Rs. 135.26 Cr. with PBILDT and PAT margin of 7.34% and 1.37% respectively.

**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 company has a diversified client base spread across sectors which include cement, power, freight corridors, fertilizers & chemicals and FMCG etc.

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

**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 instrumentation cable (40%) and control cable (32%) and remaining from LT power cable of total sale.

### Key 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 FY23 working capital cycle of the company has improved to 96 days as on March 31, 2023 (PY: 114 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. 35.00 Cr in FY23 (PY 29.92 Cr). Further, the inventory holding days has slightly improved to 51 days as on March 31, 2023 (PY 60 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 96 days during FY23 (PY: 114 days).

**Moderate financial Risk:** The financial risk profile of the company, though improving, stood moderate marked by moderate overall gearing and debt coverage indicator. The total debt of the company comprises of term loan and working capital loan. The overall gearing of the company has improved marginally and stood at 1.01 times as on March 31, 2023 (1.11 times as on March 31, 2022) on account of lower realisation of working capital limit o/s as on March 31, 2023. Further the interest coverage ratio and Total debt to GCA has improved and stood at 1.68x and 11.22x respectively in FY23 as against 1.63x and 12.74x respectively in FY22.

### Liquidity: Adequate

Company has adequate liquidity driven by expected gross cash accruals of Rs 19.71 crore in FY24 as against repayment of Rs 7.41 crore. Further, company utilization levels stood at to 77% in last 12 months ending July 2023 providing cushion to company's liquidity profile. Addition in term loan pertains to disbursement of term loan availed from RIICO during the year. The company do not have any major capex envisaged in the future. Current ratio was moderate at 1.39x times as on March 31, 2023. Considering no major capex envisaged in the future, current ratio is estimated to remain comfortable to meet its repayment obligations.

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Cables - Electricals

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, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	438.16	526.26	135.26
PBILDT	38.40	39.54	9.94
PAT	6.37	7.22	1.85
Overall gearing (times)	1.11	1.01	NA
Interest coverage (times)	1.63	1.68	1.61

A: Audited UA: Unaudited NA: Not Available; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not Applicable

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

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

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	April 2032	19.09	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 2023-2024	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
1	Fund-based-Long Term	LT	43.56	CARE BBB; Stable	-	1)CARE BBB; Stable (07-Oct-22)	1)CARE BBB; Stable (26-Nov-21)	1)CARE BBB; Stable (07-Oct-20)
2	Fund-based - ST-Factoring/ Forfeiting	ST	50.50	CARE A3	-	1)CARE A3 (07-Oct-22)	1)CARE A3 (26-Nov-21)	1)CARE A3 (07-Oct-20)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST*	159.00	CARE BBB; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3 (07-Oct-22)	1)CARE BBB; Stable / CARE A3 (26-Nov-21)	1)CARE BBB; Stable / CARE A3 (07-Oct-20)
4	Fund-based - LT-Term Loan	LT	19.09	CARE BBB; Stable	-	1)CARE BBB; Stable (07-Oct-22)	1)CARE BBB; Stable (26-Nov-21)	1)CARE BBB; Stable (07-Oct-20)

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities- Not Applicable**
**Annexure-4: Complexity level of the various instruments rated**

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

**Annexure-5: Lender details**

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

**Note on the 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.

## Contact us

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### About us:

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