

## Cords Cable Industries Limited

October 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	56.72 (Reduced from 62.65)	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 reaffirmation of the ratings assigned to the bank facilities of Cords Cable Industries Limited (Cords) continue to derive comfort from the experienced promoters coupled with long track record of operations and its established relationship with reputed and diversified client base due its diversified range of products and its established position in the control and instrumentation cables market and an increasing focus on diverse sectors. The ratings, further, continue to derive comfort from the steady growth in scale of operations over the past 3 fiscals ending FY24 (refers to the period from April 01 to March 31) with moderate profitability margins of the company. The ratings, however, continue to remain constrained by its working capital-intensive nature of operations, moderate financial risk profile of the company coupled with susceptibility of margins to volatility in raw material prices and company's presence in highly competitive and fragmented cable industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in scale of operations as marked by total operating income of above Rs.650.00 crore with a ROCE of 13% and above on a sustained basis.
- Improvement in the capital structure as marked by overall gearing ratio of below 0.70x on a sustained basis.

#### Negative factors

- Increase in total debt/PBILDT above 6.00x leading to weak liquidity.
- Deterioration in the capital structure of the company as marked by overall gearing ratio of above 1.20x.

### Analytical approach: Standalone

#### Outlook: Stable

The 'Stable' outlook reflects that entity shall sustain its growth in operational performance over the medium term on the back of company's established position in the control and instrumentation cables market along with sustainable financial risk profile.

### Detailed description of the key rating drivers:

#### Key strengths

**Experienced promoters coupled with long track record of operations:** Mr. Naveen Sawhney, promoter and Managing Director of Cords, has been associated with the cable industry for over five decades with extensive experience in the manufacturing of cables. He is a Mechanical Engineer and holds a post graduate diploma in management. Further, Cords has been engaged in the business of manufacturing of cables since 1991 and over the years has expanded capacities and increased its product portfolio. This long-standing experience and expertise in the industry has enabled them to establish good relationship with its customers over the years which has enabled it to garner repeat orders. The company has manufacturing facilities at Chopanki, Rajasthan and Kaharani, Rajasthan.

**Established relationship with reputed and diversified client base:** Cords 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). Cords's business risk profile is supported by healthy association developed with various reputed companies which includes Indian Oil Corporation Limited (IOCL), Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation Limited (BPCL) (rated 'CARE AAA; Stable/ A1+'), Larsen and Toubro Limited, TATA Projects Limited, UltraTech Cement Limited (rated

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

'CARE AAA; Stable/ A1+'), Engineers India Limited (rated 'CARE AAA; Stable/ A1+'), etc among others. Further, the top ten customers concentration risk stood moderate ~55% (P.Y.: 59%) of total sales in FY24. Aided by its diversified customer base, the company does not have reliance on any single customer pertaining to its revenue source, which in turn stabilize their financial position, and thereby reduces the risk of financial vulnerability arises due to concentration in from any customer in near future. The company has a diversified client base spread across sectors which includes Hydrocarbons, Power & Renewable Energy, Cement, Metals, Metros & Railways, Freight Corridors, Fertilizers & Chemicals, FMCG, Water, etc., among others.

**Diversified range of products:** The company has a diversified range of products which includes Instrumentation Cables, Control Cables and Low Tension (LT) Power Cables having varied industry uses. During FY24, the major proportion of revenue came from instrumentation cable (35%) and Low Tension (LT) Power Cables (35%) and remaining from Control Cables of total sale.

**Steady growth in scale of operations with moderate profitability margins:** The total operating income of the Cords has grown at a compounded annual growth rate (CAGR) of ~19.72% over the past 3 fiscals ending FY24. The company has reported total operating income (TOI) of Rs.627.99 crore and gross cash accruals (GCA) of Rs.17.93 crore respectively, during FY24 (FY refers to the period April 1 to March 31; based on audited results) as against Rs.526.26 crore and Rs.14.37 crore, respectively. The growth has been primarily driven by increase in volume sales owing to ample demand for its products and an expanded customer base, particularly from the renewable sector, among others. Further, the company has achieved total operating income of Rs.172.96 crore during Q1FY25 (refers to the period from April 1, 2024 to June 30, 2024; based on unaudited results) and is expected to achieve a turnover of ~Rs.665.00 crore for FY25 backed by order book in hand of ~Rs.181.00 crore to be executed within this financial year.

Despite growing scale of operations, the profitability margins of the company declined however, continue to remain moderate as marked by PBILDT margin of the company which stood at 6.62% in FY24 as against 7.51% in FY23 owing to increase in input cost and limited bargaining power of the company due to intense market competition, the company offers to sell its products at competitive prices to scale up its operations and expand its customer base particularly in new markets and segments. Further, PAT margin also stood at 1.60% in FY24 as against 1.37% in FY23. During Q1FY24, PBILDT and PAT margin stood at 6.02% and 1.67% respectively. Moving forward, the company will prioritize boosting revenue from LT cables, driven by the anticipated growth in demand emanating from the newer markets and segments.

### Key weaknesses

**Moderate financial risk profile:** The financial risk profile of the company though improving, stood moderate as marked by moderate overall gearing ratio and moderate debt coverage indicators. The capital structure of the company stood moderate as on the past three balance sheet dates (FY22-FY24) on account of satisfactory net worth base against the debt levels. Overall gearing ratio stood at 1.03x as on March 31, 2024 showing slight moderation from 1.01x as on March 31, 2023 mainly on account of higher utilization of working capital borrowings to support the growing scale of operations. Further, gearing is expected to remain at moderate levels in the near to medium term supported by accretion of profits to reserves, strengthening the capital structure of the company.

Further, the debt coverage indicators of the company as marked by interest coverage ratio and total debt to GCA improved though continue to remain moderate and stood at 1.69x and 9.68x respectively, in FY24 (P.Y.: 1.68x and 11.22x respectively).

**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 offer liberal credit period of around 90-120 days to the customers as majority of them are large sized players which possess high bargaining power. However, working capital cycle of the company has improved to 82 days for FY24 (PY: 96 days) on account of faster realization from reputed buyers and limiting the sale to small buyers due to slow recovery. Further, the inventory holding days has also slightly improved to 42 days for FY24 (PY 51 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. The company receives payable period of around 2 months from its suppliers resulting in an average creditor's period of 54 days for FY24.

**Susceptibility of margins to volatility in raw material prices:** Cords operates in an industry wherein the raw material cost is one of the major cost drivers and hence, any sharp volatility in raw material prices may negatively impact the company's profitability. Company's basic raw materials like Copper, Aluminium, Steel, Polymer, etc. has experienced immense volatility in the prices of these input materials in the past couple of years, driven primarily by prevailing geopolitical situations and intermittent supply chain disruptions and 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 Vendata Limited and others for around 3 months. Also, at any given point of time, company avoids taking more than 3-4 months of order booking. The procurement of material is based on the order in hands and the price quoted to the buyers is based on the raw material price prevailing in the market plus margin, this way, company protects itself against price rise to a large extent.

**Highly competitive and fragmented cable industry:** Wires and cables market in the world and India are highly fragmented, with the presence of many small and medium enterprises. Over a period, the industry has moved from the unorganized to organized sector. However, significant portion of this industry is still in the unorganized sector. The wire and cable industry are highly competitive with both large and several small players operating in the industry with lower entry barriers. A competitive market restricts the company's pricing flexibility and puts a strain on its profitability. Cords' business profile is expected to remain susceptible to intense industry competition.

#### **Liquidity: Adequate**

The liquidity position of the company remained adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The company has reported net cash accruals (NCA) to the extent of Rs.17.93 crore during FY24, Rs.4.96 crore during Q1FY25 and is expected to generate envisage NCA of Rs.19.29 crore for FY25 against scheduled repayment obligations of ~Rs.7.55 crore in same year. Further, the average utilization of its working capital limits stood around 70% for the past 12 month's period ending July, 2024. The company's liquidity profile is also supported by buffer in unutilized working capital limits providing adequate cushion to the company's liquidity profile. Further, the company does not have any significant capex plan envisaged in the near term. With an overall gearing of 1.03x as on March 31, 2024, the company has sufficient gearing headroom, to raise additional debt for its capex supported by above unity current ratio.

#### **Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

#### **About the company and industry**

##### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Cables - Electricals

Cords Cable Industries Limited (Cords) (erstwhile known as Cords Cable Industries Private Limited) was incorporated in October, 1991 as a private limited company. Later, it was converted into public limited company (Listed) in 2008. The company is promoted by Mr. Naveen Sawhney who has been associated with the cable industry for over five decades with extensive experience in the manufacturing of cables. The company is engaged in the manufacturing of Low Tension (LT) Power Cables (upto 1.1kV), Control Cables (upto 1.1kV) and Instrumentation Cables (upto 1.1kV). The company has two manufacturing facilities located at Kaharani, Bhiwadi and Chopanki, Bhiwadi (Rajasthan).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)*
Total operating income	526.26	627.99	172.96
PBILDT	39.54	41.56	10.41
PAT	7.22	10.07	2.88
Overall gearing (times)	1.01	1.03	NA
Interest coverage (times)	1.68	1.69	1.65

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

\*refers to the period from April 1, 2024 to June 30, 2024.

**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 the covenants of the rated instruments/facilities is given in Annexure-3

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

**Lender details:** Annexure-5

#### 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	April, 2032	13.16	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 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 2024-2025	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
1	Fund-based-Long Term	LT	43.56	CARE BBB; Stable	-	1)CARE BBB; Stable (04-Oct-23)	1)CARE BBB; Stable (07-Oct-22)	1)CARE BBB; Stable (26-Nov-21)
2	Fund-based - ST-Factoring/ Forfeiting	ST	50.50	CARE A3	-	1)CARE A3 (04-Oct-23)	1)CARE A3 (07-Oct-22)	1)CARE A3 (26-Nov-21)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	159.00	CARE BBB; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3 (04-Oct-23)	1)CARE BBB; Stable / CARE A3 (07-Oct-22)	1)CARE BBB; Stable / CARE A3 (26-Nov-21)
4	Fund-based - LT-Term Loan	LT	13.16	CARE BBB; Stable	-	1)CARE BBB; Stable (04-Oct-23)	1)CARE BBB; Stable (07-Oct-22)	1)CARE BBB; Stable (26-Nov-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of the covenants of the rated instrument/facilities:** Not Applicable

**Annexure-4: Complexity level of 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.

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