

Cords Cable Industries Limited (Revised)

November 26, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating	Rating Action
Long Term Bank Facilities- Fund Based	43.56	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Long Term Bank Facilities- Term Loan	12.25 (Reduced from 15.63)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Long/ Short Term Bank Facilities- Non-Fund Based	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 (Rs. Two Hundred Sixty-Five Crore and Thirty Lakhs 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, 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. The ratings also factor in moderate financial risk profile of company marked by comfortable gearing and moderate debt coverage indicators. However, the ratings are constrained by company's modest scale of operations with further moderation reported during FY21 (refers to period April 1 to March 31) primarily due to pandemic-led disruption, working capital intensive nature of operations, 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
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 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.

Moderate financial risk profile:

The capital structure of the company has remained strong over the years with the overall gearing as on March 31, 2021, improving to of 0.81x (as against 0.96x as on March 31, 2020). The improvement was mainly on account of accretion of profits to net worth. The debt coverage indicators also remained moderate with PBILDT interest coverage at 1.58x (PY: 1.68x) and total debt/GCA at 10.34x as on March 31, 2021 (PY: 12.55x).

Key Rating Weaknesses**Moderate operational performance**

CCIL reported total operating income of Rs 324.59 crore in FY21 (PY: Rs. 422.26 crore), degrowth by 23% owing to nationwide lockdown imposed by the government which impacted operations of company. Though, the PBILDT margin of the company improved by 93 bps and stood at 11.14% in FY21 (PY: 10.21%). The same was driven by reduction in the employee cost during FY21. However, PAT margin of company moderated from 1.61% in FY20 (*after deducting impairment loss and tax for earlier years*) to 1.41% in FY21.

H1FY22 Performance: The company has reported sales of Rs.194.36 crore during H1FY22 (refers to period April 1 to September 30) as against Rs.133.21 crore in H1FY21. Due to the second wave of COVID 19, performance of the company was subdued whereby it reported top-line of Rs.88.40 crore in Q1FY22 as against Rs.49.50 crore during Q1FY21 and Rs.100.90 crore during Q4FY21.

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 Vendata 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. Major sales of company were booked in last 2 quarters thereby leading to collection period of 109 days as on March 31, 2021 (PY: 87 days). Also, the company is required to maintain adequate inventory of raw materials for the smooth running of its production processes. The company has to maintain the minimum levels of inventory to 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 resulting into stretched operating cycle with working capital days of 105 days during FY21 (PY: 74 days).

Industry Outlook

The global wires and cables market size was estimated at USD 183.14 billion in 2020. It is expected to expand at a CAGR of 4.4% over 2021-28, to reach USD 260.16 billion by the end of 2028. This growth is attributable to the increasing use of cables and wires across the world for transmission and distribution of power, for incremental application in telecom sector and in data centres.

The prospects of the Wire and Cable industry are interlinked with the other industries viz: Power, Telecom, Railways, Real estate, Steel, Cement, Refineries, Infrastructure etc. With investments across different infrastructure segments in the background of government initiatives, the demand for cables is expected to increase considerably. With the growth of other related industries, the Indian Wire and Cable industry is indeed bound to grow & prosper.

Liquidity: Adequate

Company has adequate liquidity driven by gross cash accruals of Rs 11.48 crore in FY21 as against repayment of Rs 5.87 crore. Further, utilization levels of working capital limits have increased to 87% in last 12 months ending August 2021 due to increased working capital requirement owing to growth in total operating income. Current ratio was moderate at 1.53x times as on March 31, 2021. Considering no major capex envisaged in the future, current ratio is estimated to remain comfortable to meet its repayment obligations alongside comfortable DSCR.

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 (upto 1.1kV), Control Cables (upto 1.1kV) and Instrumentation cables (upto 1.1kV).

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22(UA)
Total operating income	422.26	324.59	194.36
PBILDT	43.13	36.16	20.60
PAT	6.81	4.56	2.97
Overall gearing (times)	0.96	0.81	-
Interest coverage (times)	1.68	1.58	1.67

A: Audited; UA: Un-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

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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term		-	-	-	43.56	CARE BBB; Stable
Fund-based - ST-Factoring/ Forfeiting		-	-	-	50.50	CARE A3
Non-fund-based - LT/ ST-BG/LC		-	-	-	159.00	CARE BBB; Stable / CARE A3
Fund-based - LT-Term Loan		-	-	Feb 2022	12.24	CARE BBB; Stable

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based-Long Term	LT	43.56	CARE BBB; Stable	-	1)CARE BBB; Stable (07-Oct-20)	1)CARE BBB; Stable (25-Feb-20)	1)CARE BBB; Stable (28-Dec-18)
2	Fund-based - ST-Factoring/ Forfeiting	ST	50.50	CARE A3	-	1)CARE A3 (07-Oct-20)	1)CARE A3 (25-Feb-20)	1)CARE A3 (28-Dec-18)
3	Fund-based-LT/ST	-	-	-	-	-	-	1)CARE BBB; Stable / CARE A3 (28-Dec-18)
4	Non-fund-based - LT/ ST-BG/LC	LT/ST*	159.00	CARE BBB; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3 (07-Oct-20)	1)CARE BBB; Stable / CARE A3 (25-Feb-20)	1)CARE BBB; Stable / CARE A3 (28-Dec-18)

5	Non-fund-based - ST-BG/LC	-	-	-	-	-	-	1)CARE A3 (28-Dec-18)
6	Fund-based - LT-Term Loan	LT	12.24	CARE BBB; Stable	-	1)CARE BBB; Stable (07-Oct-20)	-	-

* Long Term / Short Term

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

Name of the Instrument	Detailed explanation
A. Financial covenants	
Fund Based Limits	<ul style="list-style-type: none"> • Current Ratio not to be less than 1.50x • TOL/TNW not to exceed 1.60x
B. Non-financial covenants	
Cash Credit	<ul style="list-style-type: none"> • Statement of stock and book debts, on a monthly basis, to be submitted latest by the 20th of subsequent month. Note: The utilization in CC will be determined by Drawing Power based on monthly stock statements submitted. The computation drawing power would be as follows: Raw material (including stock in progress and Finished goods) and receivables (cover period: 120 days)- 25%

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-External Commercial Borrowings	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-BG/LC	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 instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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