

**Finolex J Power Systems Limited**  
**January 30, 2023**

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	22.75	CARE BB+; Stable; ISSUER NOT COOPERATING*	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	25.00	CARE BB+; Stable / CARE A4; ISSUER NOT COOPERATING*	Revised from CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable / A Three) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	74.00	CARE A4; ISSUER NOT COOPERATING*	Revised from CARE A3 (A Three) and moved to ISSUER NOT COOPERATING category

Details of facilities in Annexure-1.

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information and No default Statement (NDS) for the last three months from October 2022 November 2022 & December 2022 from Finolex J Power Systems Limited (FJPSL) to monitor the rating vide e-mail communications dated January 03, 2023, January 09, 2023, January 10, 2023 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on FJPSL's bank facilities will now be denoted as CARE BB+; Stable/CARE A4; ISSUER NOT COOPERATING\*.

**Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above rating(s).**

### Detailed description of the key rating drivers

At the time of last rating on January 05, 2022, the following were the rating strengths and weaknesses (updated for the information available from Annual Report 2021-22):

#### Key rating strengths

##### Strong Parentage and demonstrated financial support.

FJPL is a joint venture (51:49) between Japan based J-Power systems corporation (JPS) and Pune (Maharashtra) based Finolex Cables Limited. JPS, a wholly owned subsidiary company of Sumitomo Electric Industries Limited (SEIL) is a Japan based global major in XLPE EHV cable manufacturer providing access to best technology coupled with access to global markets while FCL is India's leading manufacturer of electrical and communication cables which find applications in areas including building wiring, automobiles, lighting, cable TV, telephone, computers to industrial applications. The promoters have exhibited ability and commitment towards FJPL through equity infusion to support debt servicing obligations. The promoters of the company have infused Rs.50.00 crore during FY21. The support in the form of equity infusion as and when required is expected to continue in future.

##### Limited exposure to raw material volatility from orders backed by price variation clause.

FJPL's major raw materials constitute Copper, Aluminium, Cross-linked Polyethylene (XLPE), Compound, Tapes and Drums with around 70%-75% of total raw material costs been contributed by Copper and Aluminium. FJPL has a price variation clause in its price quote at the tender stage, thereby protecting itself against adverse raw material price movements.

**Comfortable Capital structure and debt coverage indicators (supported by funds infusion from parents)** The debt-to-equity ratio remain comfortable at 0.14x as on March 31, 2022, as compared to 0.15x as on March 31, 2021. The overall gearing has deteriorated but remain comfortable at 0.52x as on March 31, 2022, as compared to 0.37x as on March 31, 2021. The increase in the equity contribution from the parents during FY21 primarily helped the company to keep the gearing level stable and maintain it at below unity. During FY21, there has been substantial equity infusion done by the JV partners to the tune of Rs.50 crore as on March 31, 2021. The repayments and interest servicing of the same have been funded through the promoter's funds on account of tight accruals. The debt coverage indicators are in negative as the company is making losses at its operating level. Equity infused by promoters during past years:

<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

Company Name	FY15 (A)	FY16 (A)	FY17 (A)	FY18 (A)	FY19 (A)	FY20 (A)	FY21 (A)
Finolex Cables Limited (49%)	12.25	23.28	19.60	15.93	18.87	43.37	24.50
J-Power Systems Corporation (51%)	12.75	24.22	20.40	16.57	19.63	45.13	25.50
<b>Total Equity infused during the year</b>	<b>25.00</b>	<b>47.50</b>	<b>40.00</b>	<b>32.50</b>	<b>38.50</b>	<b>88.50</b>	<b>50.00</b>

Parent support in the form of equity infusion help the company to keep the gearing level stable & sustainable.

#### Key Rating Weaknesses

##### **Standalone financial risk profile marked by small scale of operations and continuing losses.**

The turnover of the company has improved by 72% in FY22 and stood at Rs.85,67 crore as compared to Rs.50.56 crore in FY21. During FY22 the major cost of raw material this has resulted in operating loss during FY22. Furthermore, the quantum of loss increased in FY22 in comparison to FY21. During FY22, the company has incurred net losses to the tune of Rs. 27.13 crore which is comparatively higher than the loss incurred in FY21. However, during H1FY22, the company has registered a turnover of 48.35 crore (96% of the FY21 turnover & 34% of the FY22 Projected). Company continues to book operational losses; however, the loss has reduced.

##### **Modest order book position, rendering medium term revenue visibility.**

The total order in hand as on November 30, 2021 (in terms of quantity to be supplied) is 175km. Out of this 175km, 133km is produced and dispatched. The total order in value terms was at Rs.109 crore. The order execution timeline generally ranges between 150-180 days, depending on the type of order. The moderate order book position and expected order inflow provides revenue visibility in the medium term.

##### **Competitive nature of industry**

The Indian cable industry is highly competitive and fragmented with a large number of cable producers in both organized and unorganized sector, leading to the pressure on prices and limited ability to pass on the increase in the raw material prices, especially in the tender-based business. FJPL product offering span across the range from (66kV-400kV) however the overall market opportunity in the higher 'Kv' rating is restricted (around 5% of overall market opportunity) where FJPL has a prominent presence. Furthermore, India's electrical equipment industry continues to witness significant growth in the last few years.

##### **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. FJSPL's operating cycle deteriorated to 377 days during FY21 (PY: 193 days). The average collection period remained high at 340 days in FY21 as compared to FY20. Further, the creditor period has deteriorated to 74 days in FY21 to 57 days in FY20. The nature of business of the company demands it to invest for at least 200 days, which starts from manufacturing of the cables, give advance to the vendors, get it to the site and then the laying work is carried out. So, going ahead with more orders in hand, the level of inventory in the books will remain at high at current levels.

##### **Liquidity: Stretched (supported by funds infusion from parents)**

Liquidity is marked by tightly matched accruals to repayment obligations, highly utilized bank limits and low cash balance. However, comfort can be drawn from the support extended by parents in terms of fund infusion to meet the working capital requirements. The company is utilizing its working capital limits at 90% for last 12 months ended November 30, 2021. Current ratio improved and stood at 1.68x as on March 31, 2021, as against 1.32x as on March 31, 2020. Free cash and bank balances as on September 30, 2021, stood at Rs.0.11 crore. Efficient management of working capital cycle and improvement in liquidity position is a key rating sensitivity.

**Analytical approach:** Standalone the rating also factors in the demonstrated parent support in the form of equity infusion in the past.

#### Applicable criteria

[Financial Ratios – Non financial Sector](#)

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Policy on Withdrawal of Ratings](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

#### About the company

FJPL, incorporated in January 2008, is a Joint-venture (JV, 51:49) between Japan based J-Power Systems (JPS) and Pune based Finolex Cables Limited. FJPL is engaged in manufacture and market of cross-linked polyethylene (XLPE) insulated extra high voltage (EHV) ratings ranging from (66 Kilovolts (kV) to 500 kV) cables using the VCV (Vertical Continuous Vulcanizing) technology and other power accessories and provides turnkey solutions cables. The manufacturing facility of the company is located at Shirwal near Pune.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23(UA)
Total operating income	49.13	85.67	NA
PBILDT	-13.72	-9.69	NA
PAT	-31.34	-27.23	NA
Overall gearing (times)	0.37	0.52	NA
Interest coverage (times)	-1.37	-1.01	NA

A: Audited; UA: Unaudited

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

**Any other information:** Not applicable

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

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

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

**Annexure-1: Details of 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		-	-	March 2024	22.75	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Working Capital Demand loan		-	-	-	50.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based/non-fund-based-LT/ST		-	-	-	25.00	CARE BB+; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	24.00	CARE A4; ISSUER NOT COOPERATING*

**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 - LT-Term Loan	LT	22.75	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (05-Jan-22)	1)CARE BBB-; Stable (07-Jan-21)	1)CARE BBB-; Stable (12-Feb-20)
2	Fund-based/non-fund-based-LT/ST	LT/ST*	25.00	CARE BB+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable / CARE A3 (05-Jan-22)	1)CARE BBB-; Stable / CARE A3 (07-Jan-21)	1)CARE BBB-; Stable / CARE A3 (12-Feb-20)
3	Non-fund-based - ST-Bank Guarantee	ST	24.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A3 (05-Jan-22)	1)CARE A3 (07-Jan-21)	1)CARE A3 (12-Feb-20)
4	Fund-based - ST-Working Capital Demand loan	ST	50.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A3 (05-Jan-22)	1)CARE A3 (07-Jan-21)	1)CARE A3 (12-Feb-20)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated facilities:** Not applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - ST-Working Capital Demand loan	Simple
3	Fund-based/non-fund-based-LT/ST	Simple
4	Non-fund-based - ST-Bank Guarantee	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 Ratings Ltd. 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](mailto:care@careedge.in) for any clarifications.

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##### About us:

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##### Disclaimer:

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