DECEMBER 05, 2016

CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES OF BIRLA CABLE LIMITED (ERSTWHILE BIRLA ERICSSON OPTICAL LIMITED)

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	55.50 (reduced from 64.50)	**CARE AA- (SO); Outlook: Stable [Double A Minus (Structured Obligation)]; Outlook: Stable)**	**Revised from CARE A+ (SO) [Single A Plus (Structured Obligation)]**
Short term Bank Facilities	91.50 (enhanced from 87.35)	**CARE A1+ (SO) [A One Plus (Structured Obligation)]**	**Revised from CARE A1 (SO) [A One (Structured Obligation)]**
Total	**147.00 (Rupees One Hundred Forty-Seven Crore only)**		

** Based on unconditional and irrevocable corporate guarantee extended by Vindhya Telelinks Limited (VTL, rated CARE AA-/Stable/CARE A1+)*

Rating Rationale

CARE's ratings on the bank facilities of Birla Cable Limited (BCL, erstwhile Birla Ericsson Optical Limited) factors in credit enhancement in the form of an unconditional and irrevocable corporate guarantee extended by Vindhya Telelinks Limited (VTL, rated CARE AA-/Stable/CARE A1+) towards timely servicing of debt obligations. The above ratings are solely based on the CARE's view on guarantor's credit profile and accordingly the rating rationale highlights the key credit risk assessment parameters for guarantor.

Rating Rationale of Gurantor: Vindhya Telelinks Limited

The revision in ratings assigned to bank facilities of Vindhya Telelinks Limited (VTL) factors in continual exhibition of healthy operational in FY16 (refers to period April 01 to March 31). The company benefitted from adoption of turn-key business model, wherein it provides total solutions (i.e. product and services) to the customers. Thus, the company was able to maintain customer base amongst prevalent stiff competition in cable & Engineering Procurement Construction (EPC) industry. As a result the company reported significant improvement in Total Operating Income by 52% to Rs. 1,000.36 crore in FY16. Profit Before Interest Lease Depreciation Tax (PBILDT) margins of the company improved to 18.54% in FY16 from 16.44% in FY15 on account of better realizations in cable segment (majorly Optical Fibre Cable (OFC) business).

The ratings continues to factor well established & experienced promoters, continual exhibition of operational performance translating into favorable debt protection metrics and healthy order book position providing long-term revenue visibility.

The above rating strengths are however partially offset by working capital intensity associated with operations, exposure to volatility of raw material prices, inherent risk associated with large orders and prevalent competition in cable and EPC business.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Ability of VTL to maintain favorable operational performance, timely execution of projects/ orders and any extension of financial support to group/associate companies impacting financial risk profile of the company would be key rating sensitivities.

Background

BCL (CIN L31300MP1992PLC007190), incorporated in 1992, is a joint venture between M.P. Birla Group [Universal Cables (holding 13%) rated CARE BBB+/ CARE A2+ and Vindhya Telelinks Ltd. (holding 19.33%) rated CARE AA-/Stable/CAREA1+]. It is engaged in manufacture and marketing of optical fibre cables and other related products viz. copper cables and specialty cables. The company has a manufacturing plant at Rewa, Madhya Pradesh. The company is currently headed by Mr. Harsh V. Lodha.

The company reported Profit After Tax (PAT) of Rs. 8.48 crore on Total Operating Income (TOI) of Rs. 255.51 crore in FY16 as compared to PAT of Rs. 12.50 crore on TOI of Rs. 283.95 crore in FY15.

Guarantor's profile: Vindhya Telelinks Limited

VTL (CIN L31300MP1983PLC002134) is into manufacturing of telecom cables (Jelly Filled Telecommunication Cables and Optical Fibre Cables) and Engineering, Procurement & Construction (EPC) services to telecom, power, gas distribution pipelines and sewage projects. The manufacturing plant of the company is located at Rewa (Madhya Pradesh). The company caters to reputed client base like Bharat Sanchar Nigam Limited (BSNL, rated CARE AAA (SO)), Mahanagar Telephone Nigam Limited (MTNL, rated CARE AAA (SO)), Indian Railways, Defense (Indian Army), National Thermal Power Corporation Limited (NTPC), Steel Authority of India Limited (SAIL, rated CARE AA+), Bharti Airtel Ltd, Tata Tele Service Limited (rated CARE A/CARE A1+) Reliance Infocom etc. VTL derived around 46% of revenue in FY16 from cable business and balance from EPC business.

At standalone level, the company reported PAT of Rs. 77.35 crore on TOI of Rs. 1,000.36 crore in FY16 as compared to PAT of Rs. 57.85 crore on TOI of Rs. 661.64 crore in FY15. Further, VTL reported PAT of Rs. 32.99 crore on TOI of Rs. 460.45 crore in H1FY17 (refers to period April 01, to September 30,) as compared to PAT of Rs. 41.35 crore on TOI of Rs. 446.86 crore in H1FY16.

At consolidated level, VTL reported PAT of Rs. 94.90 crore on TOI of Rs. 1,049.83 crore in FY16 as compared to PAT of Rs. 74.57 crore on TOI of Rs. 709.96 crore in FY15.

Detailed rating rationale of Vindhya Telelinks Limited is available at www.careratings.com

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691