

SEPTEMBER 25, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF BIRLA ERICSSON OPTICAL LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	64.50	CARE A+ (SO)@ [Single A Plus (Structured Obligation)]	Revised from CARE A- (SO) [Single A Minus (Structured Obligation)]@
Short term Bank Facilities	87.35	CARE A1 (SO)@ [A One (Structured Obligation)]	Revised from CARE A2 (SO) [A Two (Structured Obligation)]@
Total	151.85 (Rs. One fifty one crore and eighty five lakhs only)		

@ Credit enhancement in the form of unconditional and irrevocable corporate guarantee from Vindhya Telelinks Limited

Rating Rationale

The rating assigned to the bank facilities of BEOL is based on the credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by Vindhya Telelinks Limited (VTL – Rated CARE A+/CARE A1)

The rating revision for VTL (Revised to CARE A+/CARE A1 from CARE A-/CARE A2) factors substantial improvement in operating performance and concomitant expansion in operating profit margins and debt coverage parameters as well as VTL's healthy order book position offering revenue visibility in the medium term. The rating continues to derive comfort from established track record of promoters in the cable industry, continued support from the promoter group companies and stable outlook for overall telecom industry.

The above rating strengths are partially offset by the working capital-intensive nature of operations as well as customer concentration risk in its cable and EPC division.

The ability of the company to sustain gearing levels, efficiently manage the operating cycle amidst growing operations and maintain profitability levels are the key rating sensitivities.

Background

BEOL (CIN No. 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 13.33%) rated CARE A+/CARE A1] and Ericsson Cables AB, Sweden (27.50%). It is engaged in manufacture and marketing of optical fibre cables (over 95% of total revenues in FY15) 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. BEOL posted total operating income and PAT of Rs. 283.95 and Rs. 12.50 crore in FY15 as against total operating income and PAT of Rs. 295.22 and Rs. 19.24 crore in FY14.

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

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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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