

Cords Cable Industries Limited

January 20, 2017

Ratings

Facilities	Amount (Rs. Crore)	Rating ¹	Rating Action
Long term Bank Facilities	46.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	20.25	CARE A3 (A Three)	Reaffirmed
Long term/ Short term Bank Facilities	152.00	CARE BBB-; Stable/ CARE A3 (Triple B Minus; Outlook: Stable/ A Three)	Reaffirmed
Long term Bank Facilities#	-	Withdrawn	
Total Facilities	218.25 (Rupees Two Hundred Eighteen crore and Twenty Five lakh only)		

Details of instruments/facilities in Annexure-1

#CARE has withdrawn the rating assigned to the long term bank facilities (term loan) of Cords Cable Industries Limited with immediate effect, due to extinguishment of the said facility with no amount being outstanding under the facility as on date.

Detailed Rationale

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, CCIL's long track record of operations and its established position in the control and instrumentation cables market coupled with diversified and reputed clientele and its moderate financial risk profile. However, the ratings are constrained by moderate scale, weak operational performance and working capital intensive nature of operations of the company. The ratings are further constrained by susceptibility of CCIL's margins to volatility in raw material prices and presence of the company in a highly competitive cable industry. Going forward, the ability of the company to increase its scale of operations, improve its profitability margins and operational performance as well as effectively manage its working capital cycle would be key rating sensitivities.

Detailed description of the key rating drivers

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. Further, the company has been engaged in the business of manufacturing of cables since 1991 and over the years has expanded capacities and increased its product portfolio.

CCIL has a well-established position in the control and instrumentation cables segment, wherein the orders are mostly customized and the segment is less competitive as compared to the power cables segment. During FY16, sales from control and instrumentation cables formed around 84% (PY: 87%) of net sales in FY16. Further, the company has a reputed and diversified client base and is an approved vendor for supply of cables to customers including L&T, BHEL, DMRC, NTPC, EIL, amongst others.

Total operating income of CCIL increased by around 7% in FY16. PBILDT and PAT margins remained at similar levels in FY16 at 10.91% (PY: 10.96%) and 1.09% (PY: 1.02%) respectively. Overall gearing improved from 1.28x as on March 31, 2015 to 1.09x as on March 31, 2016.

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

During FY16, capacity utilization of CCIL's manufacturing plants stood at around 32% as compared to 29% in FY15. Increase in capacity utilization was on account of increase in capacity utilization of LT power cable.

CCIL's operations are working capital intensive in nature. CCIL extends credit period of around 90 to 120 days to its customers. During the 12-month period ending October, 2016, average utilization of working capital borrowings stood at around 85%.

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.

Analytical approach: Standalone

Applicable Criteria

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for Short-term Instruments](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

CCIL was incorporated in October 1991 as 'Cords Cable Industries Private Limited', which was later converted into a public limited company in May 2006. CCIL is engaged in the manufacturing of cables which find application across industries, viz, power, steel, cement, real-estate, railways, amongst others. The product range of the company includes instrumentation cables, control cables (upto 1.10 KV) and low tension (LT) power cables (upto 1.10 KV) with revenue contribution of 35%, 50% and 16%, respectively in FY16 (refers to the period April 01 to March 31). The business is largely order driven and products are generally made as per customer's specifications. CCIL has two manufacturing facilities located in Bhiwadi, Rajasthan with total installed capacity of 31,925 km for Instrumentation Cable, 30,150 km for Control Cable and 2,925 km for LT power cable.

During FY16, CCIL reported total operating income of Rs.285.20 crore and PAT of Rs.3.11 crore as against total operating income of Rs.265.93 crore and PAT of Rs.2.70 crore during FY15. During H1FY17 (refers to the period April 01 to September 30), CCIL reported total operating income of Rs.137.12 crore and PAT of Rs.1.75 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Rating assigned along with Rating Outlook
Fund Based-Long Term	-	-	-	46.00	CARE BBB-; Stable
Fund Based-Short Term	-	-	-	18.25	CARE A3
Fund Based-LT/ST	-	-	-	14.00	CARE BBB-; Stable / CARE A3
Non Fund Based-LT/ST	-	-	-	138.00	CARE BBB-; Stable / CARE A3
Non-Fund Based - ST-BG/LC	-	-	-	2.00	CARE A3

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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund Based-Long Term	LT	46.00	CARE BBB-; Stable	-	1)CARE BBB- (27-Oct-15)	1)CARE BBB (08-Sep-14)	1)CARE BBB (26-Jul-13)
2.	Fund Based-Short Term	ST	18.25	CARE A3	-	1)CARE A3 (27-Oct-15)	1)CARE A3 (08-Sep-14)	1)CARE A3 (26-Jul-13)
3.	Fund Based-LT/ST	LT/ST	14.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB- / CARE A3 (27-Oct-15)	1)CARE BBB / CARE A3 (08-Sep-14)	1)CARE BBB / CARE A3 (26-Jul-13)
4.	Term Loan-Long Term	LT	-	-	-	1)CARE BBB- (27-Oct-15)	1)CARE BBB (08-Sep-14)	1)CARE BBB (26-Jul-13)
5.	Non Fund Based-LT/ST	LT/ST	138.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB- / CARE A3 (27-Oct-15)	1)CARE BBB / CARE A3 (08-Sep-14)	1)CARE BBB / CARE A3 (26-Jul-13)
6.	Non-Fund Based - ST-BG/LC	ST	2.00	CARE A3	-	1)CARE A3 (27-Oct-15)	1)CARE A3 (08-Sep-14)	1)CARE A3 (26-Jul-13)

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