

Press Release

Anvil Cables Private Limited

December 20, 2018

Rating

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Cash Credit	43.00 (including proposed limit of Rs.12.00 crore)	IVR BBB+ / Stable Outlook (IVR Triple B plus with Stable Outlook)	Assigned
Long Term Bank Facilities – SLC	4.00	IVR BBB+ / Stable Outlook (IVR Triple B plus with Stable Outlook)	Assigned
Long Term Bank Facilities – Term Loan	8.45 (including proposed limit of Rs.7.00 crore)	IVR BBB+ / Stable Outlook (IVR Triple B plus with Stable Outlook)	Assigned
Short Term Bank Facilities – Bank Guarantee	48.84 (including proposed limit of Rs.10.00 crore)	IVR A2 (IVR A Two)	Assigned
Short Term Bank Facilities – Letter of Credit	28.00 (including proposed limit of Rs.10.00 crore)	IVR A2 (IVR A Two)	Assigned
Total	132.29		

Detailed Rationale

The aforesaid rating derives comfort from its experienced promoters, reputed clientele, improvement in financial performance in FY18, comfortable debt protection metrics, moderate order book position, locational advantages and favourable outlook of cables and conductors in India. However, the rating is constrained by price volatility risk, highly competitive and cyclical nature of the industry in which the company operates and working capital intensive nature of operation. Profitability, working capital management and gearing level are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

Anvil Cables Private Limited (ACPL) is promoted by Mr. Tushar Dalmia and Mrs. Renu Dalmia having more than ten years of experience in the manufacturing of cables and

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conductors and have been instrumental in setting up the manufacturing facility at Jamshedpur. They are actively involved in the day-to-day operations of the company. The promoter directors are well supported by a team of experienced professionals.

Reputed clientele

The company's customer base consists of reputed Government companies and large private companies catering to various end-user industries as evident from the order book of the company.

Improvement in financial performance in FY18

The total operating income of the company witnessed a significant y-o-y growth of about 32.20% in FY18. The growth in FY18 is mainly driven by revenue from rural electrification projects, increase in volume sales and Average Gross Sales Price Realisation of cables and conductors. The EBITDA margin improved in FY18 driven by improved scale of operations. PAT margin of the company also witnessed an increasing trend over the past three years driven by continuous increase in absolute EBITDA.

Comfortable capital structure with satisfactory debt protection parameters

The overall gearing ratio remained comfortable and improved from 0.63x as on March 31, 2017 to 0.45x as on March 31, 2018. The interest coverage ratio was satisfactory at 2.85x (1.54x in FY17) and the Total debt to GCA was comfortable at 2.33x in FY18 (3.09x in FY17).

Moderate order book position

As on October 31, 2018, ACPL had total orders in hand worth Rs. 155.61 crore (about 0.40x of FY18 revenue) which is proposed to be completed in next 8-10 months indicating a near term revenue visibility.

Strategic location of the plant

The plant is located at Jamshedpur, Jharkhand, which is an industrially developing area as it is centrally located and very close to the heart of the industrial belt of Jharkhand. The site area is well developed and has all necessary infrastructure facilities.

Favourable outlook of cables and conductors in India

The outlook for cables and conductors is favourable on account of continuous increase in government's focus to increase power generation capacity in the country along with reduction in Transmission and Distribution (T&D) losses and thrust on rural electrification.

Price volatility risk

The price of Aluminium and Aluminium alloys, the key raw materials of the company are highly volatile in nature. Thus, the margins are susceptible to input price volatility. However, the risk is mitigated to an extent due to largely back to back order policy of the company. Further, the company has escalation clause in most of its contracts.

Intense competition and cyclical nature of the industry

The industry is characterized by high fragmentation mainly due to presence of a large number of organised and unorganized players. The industry where the company operates is cyclical in nature.

Working capital intensive nature of operation

The operating cycle of the company is high and stood at 82 days in FY18 due to high collection and inventory holding period. Working capital limit utilisation also remained high at about 97% during the 12 months ended on September, 2018 indicating stretched liquidity position.

Analytical Approach & Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The company has exhibited continuous improvement in profitability and sizeable gross cash accruals in the recent past. Further the average cumulative DSCR of 2.00x approximately provides adequate liquidity comfort to the company.

About the Company

Anvil Cables Private Limited (ACPL) was incorporated in 2001 by the Dalmia family of Kolkata to manufacture aluminium conductors. ACPL manufactures complete range of cables and conductors with an installed capacity of 29000 MT per annum. ACPL is also a Government of India recognized Two Star Export House. The company has its manufacturing facility located at Jamshedpur, Jharkhand. ACPL also ventured into execution of EPC activities for rural electrification works for Jharkhand Bijli Vitran Nigam Limited (JBVNL). The operations of the company are conducted under overall supervision, control and guidance of Mr. Tushar Dalmia & Mrs. Renu Dalmia, the promoter directors having more than ten years of experience in

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manufacturing of cables and conductors. They are actively involved in the day-to-day operations of the company.

Financials (Standalone):

(Rs. Crore)

For the year ended* / As On	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	293.31	387.76
EBITDA	26.79	38.64
PAT	11.49	15.67
Total Debt	38.32	39.31
Tangible Net worth	60.52	76.19
EBITDA Margin (%)	9.13	9.96
PAT Margin (%)	3.89	4.03
Overall Gearing Ratio (x)	0.63	0.45

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Bank Facilities – Cash Credit	Long term	43.00 (including proposed limit of Rs.12.00 crore)	IVR BBB + / Stable Outlook	-	-	-
2.	Long Term Bank Facilities – SLC	Long Term	4.00	IVR BBB + / Stable Outlook	-	-	-
3.	Long Term Bank Facilities – Term Loan	Long Term	8.45 (including proposed limit of Rs.7.00 crore)	IVR BBB + / Stable Outlook	-	-	-
4.	Short Term Bank Facilities – Bank Guarantee	Short Term	48.84 (including proposed limit of Rs.10.00 crore)	IVR A2	-	-	-
5.	Short Term Bank Facilities – Letter of Credit	Short Term	28.00 (including proposed limit of Rs.10.00 crore)	IVR A2	-	-	-
6.	Issuer Rating	Long Term	NA	IVR BBB + [Is] / Stable Outlook	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	43.00 (including proposed limit of Rs.12.00 crore)	IVR BBB+ / Stable Outlook
Long Term Bank Facilities– SLC	-	-	-	4.00	IVR BBB+ / Stable Outlook
Long Term Bank Facilities– Term Loan	-	-	-	8.45 (including proposed limit of Rs.7.00 crore)	IVR BBB+ / Stable Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	48.84 (including proposed limit of Rs.10.00 crore)	IVR A2
Short Term Bank Facilities – Letter of Credit	-	-	-	28.00 (including proposed limit of Rs.10.00 crore)	IVR A2