



## Press Release

**Anvil Cables Private Limited**

**May 06, 2021**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Cash Credit	53.00 (Enhanced from Rs.48.00 crore and including proposed limit of Rs.2.00 crore)	IVR BBB+ (Credit Watch with Developing Implications) (IVR Triple B Plus under Credit watch with developing implications)	Reaffirmed under Credit Watch with Developing Implications
Long Term Bank Facilities – Standby line of Credit	4.00	IVR BBB+ (Credit Watch with Developing Implications) (IVR Triple B Plus under Credit watch with developing implications)	Reaffirmed under Credit Watch with Developing Implications
Long Term Bank Facilities – GECL	8.53 * (New Facility)	IVR BBB+ (Credit Watch with Developing Implications) (IVR Triple B Plus under Credit watch with developing implications)	Assigned
Long Term Bank Facilities – CECL	3.46 * (New Facility)	IVR BBB+ (Credit Watch with Developing Implications) (IVR Triple B Plus under Credit watch with developing implications)	Assigned
Short Term Bank Facilities – Letter of Credit	44.00 (Enhanced from Rs.24.00 crore and including proposed limit of Rs.12.00 crore)	IVR A2 (Credit Watch with Developing Implications) (IVR A Two under Credit watch with developing implications)	Reaffirmed under Credit Watch with Developing Implications
Short Term Bank Facilities – Bank Guarantee	86.18 (Enhanced from Rs.69.18 crore and including proposed limit of Rs.8.00 crore)	IVR A2 (Credit Watch with Developing Implications) (IVR A Two under Credit watch with developing implications)	Reaffirmed under Credit Watch with Developing Implications
Short Term Bank Facilities – Derivative / CEL	0.44 (New Facility)	IVR A2 (Credit Watch with Developing Implications) (IVR A Two under Credit watch with developing implications)	Assigned
<b>Total</b>	<b>199.61</b>		

*\*outstanding as on March 31, 2021.*



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### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The reaffirmation of ratings assigned to the bank facilities of Anvil Cables Private Limited (ACPL) continues to derive comfort from its experienced promoters, reputed clientele coupled with healthy order book position, strategic location of the plant, satisfactory gearing and debt protection metrics and favourable industry outlook. These rating strengths are partially offset due to its moderation in financial performance in FY20 and 9MFY21, susceptibility of operating margin to fluctuations in input prices, intense competition and elongated receivable cycle with moderate working capital intensity.

The ratings have been put under credit watch with developing implications owing to deterioration in the financial performance during 9MFY21 consequent to the outbreak of COVID-19 pandemic. Infomerics will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

#### **Key Rating Sensitivities:**

##### **Upward factors**

- Continuous inflow of orders with improvement in scale of operations, profitability and cash accruals by securing repeated orders from its existing set of customers through timely and successful completion of contracts on a sustained basis.
- Improvement in the capital structure.

##### **Downward factors**

- Deterioration in overall gearing to over 2 times.
- Moderation in the scale of operations and/or deterioration in profit margin impacting the liquidity and debt coverage indicators.
- Further, elongation of operating cycle.

#### **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 engaged in Electrification business as evident from the order book of the company. The repeat orders received from its clientele validate its capabilities. Though ACPL has low bargaining power with its customers, its clientele base has sound credit risk profile, which does reduce the counter party payment risk to a certain extent. The top ten customers comprise of 88% of the sales in FY20.

### **Strategic location of the plant**

The manufacturing facility of the company 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. The principal raw materials - aluminium wire rod and aluminium ingot/scrap are readily available in the vicinity of Kolkata/Durgapur in the state of West Bengal or Bokaro Steel City /Jamshedpur in the state of Jharkhand. Further, being close to the neighbouring states of West Bengal, Chhattisgarh, Bihar & Orissa, there will be easy access to larger market.

### **Satisfactory financial profile marked by satisfactory gearing and debt protection metrics**

The capital structure of the company remained comfortable with overall gearing of 0.50x as on March 31, 2020 as against an overall gearing of 0.37x as on March 31, 2019. The marginal moderation in overall gearing is due to increase in working capital limits. The debt protection metrics though moderated in FY20 due to decline in profitability, yet remained comfortable with interest coverage ratio of 2.10x (2.37x in FY19) and total debt to GCA of 2.94x (1.77x in FY19) in FY20. Total indebtedness of the company remained moderate as reflected by TOL/TMW of 1.64x as on March 31, 2020.

### **Healthy order book position**

ACPL's unexecuted order book position as on March 31, 2021 stood at Rs.293.23 crore (~0.77 times of its FY20 operating income) comprising pending orders worth ~Rs.138.27 crore for the EPC division and ~Rs.154.96 crore from the manufacturing division. The orders



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for cables and conductors (manufacturing division) are expected to be executed over 8 to 12 months while the EPC orders will be executed over 1.5-2 years, indicating a satisfactory near to medium term revenue visibility.

### **Favorable outlook of cable/conductors and wires in India**

The outlook for cable/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.

### **Key Rating Weaknesses**

#### **Moderation in financial performance during FY20 and 9MFY21**

Total operating income witnessed a year-on-year decline from Rs.411.71 crore in FY19 to Rs.379.59 crore in FY20 due to decline in volume sales as well as sales realisation of aluminium cables. Further, the sudden outbreak of COVID 19 pandemic and the ensuing lockdown from March, 2020 added to the decline in TOI in FY20, since majority of the revenue in a fiscal year is generated during the month of March. Consequently, absolute EBITDA declined from Rs.44.73 crore in FY19 to Rs.41.66 crore in FY20. However, EBITDA margin improved marginally from 10.86% in FY19 to 10.97% in FY20 driven by execution of relatively high margin rural electrification projects. PBT margin declined from 6.37% in FY19 to 5.69% in FY20 due to decline in absolute EBITDA. PAT margin improved marginally from 4.11% in FY19 to 4.50% in FY20 due to decline in tax expense and deferred tax adjustments. GCA moderated marginally from Rs.19.30 crore in FY19 to Rs.18.64 crore in FY20.

The top line of the company continued to remain moderate and stood at Rs.163.72 crore (Rs.241.38 crore during 9MFY20) with PBT of Rs.6.64 crore (Rs.14.02 crore during 9MFY20) during 9MFY21.

#### **Susceptibility of operating margin to fluctuations in input prices**

ACPL's operating margin is susceptible to volatility in its input prices (mainly aluminum). Any upward movements in the prices of aluminum, the primary raw material used in the manufacture of cables and conductors can have an adverse effect on the profit margins. However, the risk is mitigated to a large 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**



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The industry is characterized by high fragmentation with a large number of unorganised players, constraining the pricing power of organised sector players. Apart from the unorganized sector, ACPL also faces competition from the organized sector players. Its growth is intertwined with the growth of the economy at large and is dependent on government finances. However, ACPL has enough scope to obtain new orders on account of Government's continuous focus on development of the industry.

### **Elongated receivable cycle with moderate working capital intensity**

The receivable cycle of ACPL remained high, largely on account of elongated payment cycle from its clients and sizeable retention money in the EPC division. Clients for the manufacturing division receive credit of 60-90 days. However, at times payments are stretched further (mainly by government entities). For the EPC division, ~60% of the amount is received against supply. About 30% is against erection (which usually takes anywhere between 5-6 months or even more) and the balance 10% is on account of retention money which is released post completion. The operating cycle continued to remain high at 103 days in FY20 (86 days in FY19). The average working capital limit utilisation also remained high at 90% during the past twelve months ended February 28, 2021.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing/Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity -Adequate**

The liquidity of the company is expected to remain adequate in the near to medium term marked by sufficient accruals vis-à-vis its debt repayment obligations. The current ratio and quick ratio remained comfortable at 1.55x and 1.11x respectively as on March 31, 2020. The overall gearing stood at 0.50x as on March 31, 2020 indicating a sufficient gearing headroom. However, the average working capital limit utilisation remained high at 90% during the past twelve months ended February 28, 2021 indicating moderate liquidity buffer. The month end non fund based utilisation remained moderate at 86% during the past twelve months ended February 28, 2021. The free cash and cash equivalent balance as on March 31, 2021 stood at Rs.32.90 crore. Also, the outstanding amount of non fund based limits as on March 31, 2021 stood at Rs.33.44 crore.

### **About the Company**





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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 ventured into execution of EPC activities for rural electrification works for Jharkhand Bijli Vitran Nigam Limited (JBVNL). The company also received a project from Assam Power Distribution Company Limited for supply, installation, testing and commissioning of smart metering with Advanced Metering Infrastructure (AMI) under UjwalDiscom Assurance Yojana (UDAY) scheme launched by the Government. The execution of the same commenced from April 2020 onwards.

### Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	411.71	379.59
Total Income	413.68	381.58
EBITDA	44.73	41.66
PAT	17.01	17.18
Total Debt	34.16	54.81
Tangible Net worth	93.20	110.39
EBITDA Margin (%)	10.86	10.97
PAT Margin (%)	4.11	4.50
Overall Gearing Ratio (x)	0.37	0.50

*\*As per Infomerics' Standard*

### Status of non-cooperation with previous CRA:

CARE Ratings has moved the rating of ACPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated April 01, 2021.

**Any other information:** Nil

### Rating History for last three years with Infomerics:

Sr. No	Name of Instrument/Facili	Current Rating (Year 2021-22)	Rating History for the past 3 years
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	ties	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	53.00 (Enhanced from Rs.48.00 crore and including proposed limit of Rs.2.00 crore)	IVR BBB+ (Credit Watch with Developing Implications)	-	IVR BBB+/Stable Outlook (March 19, 2020)	IVR BBB+/Stable Outlook (December 20, 2018)
2.	Standby line of Credit	Long Term	4.00	IVR BBB+ (Credit Watch with Developing Implications)	-	IVR BBB+/Stable Outlook (March 19, 2020)	IVR BBB+/Stable Outlook (December 20, 2018)
3.	GECL	Long Term	8.53 * (New Facility)	IVR BBB+ (Credit Watch with Developing Implications)	-	-	-
4.	CECL	Long Term	3.46 * (New Facility)	IVR BBB+ (Credit Watch with Developing Implications)	-	-	-
5.	Letter of Credit	Short Term	44.00 (Enhanced from Rs.24.00 crore and	IVR A2 (Credit Watch with Developing	-	IVR A2 (March 19, 2020)	IVR A2 (December 20, 2018)



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
			including proposed limit of Rs.12.00 crore)	g Implications)			
6.	Bank Guarantee	Short Term	86.18 (Enhanced from Rs.69.18 crore and including proposed limit of Rs.8.00 crore)	IVR A2 (Credit Watch with Developing Implications)	-	IVR A2 (March 19, 2020)	IVR A2 (December 20, 2018)
7.	Derivative/CEL	Short Term	0.44 (New Facility)	IVR A2 (Credit Watch with Developing Implications)	-	-	-

*\*outstanding as on March 31, 2021.*

**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](http://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





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and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs 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/ AOPs in addition to the financial performance and other relevant factors.

### 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	-	-	-	53.00 (Enhanced from Rs.48.00 crore and including proposed limit of Rs.2.00 crore).00	IVR BBB+ (Credit Watch with Developing Implications)
Long Term Bank Facilities – Standby line of Credit	-	-	-	4.00	IVR BBB+ (Credit Watch with Developing Implications) (IVR Triple B Plus under Credit watch with developing implications)
Long Term Bank Facilities – GECL	-	-	January, 2025	8.53 * (New Facility)	IVR BBB+ (Credit Watch with Developing Implications) (IVR Triple B Plus under Credit watch with developing



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					implications)
Long Term Bank Facilities – CECL	-	-	May, 2022	3.46 * (New Facility)	IVR BBB+ (Credit Watch with Developing Implications) (IVR Triple B Plus under Credit watch with developing implications)
Short Term Bank Facilities – Letter of Credit	-	-	-	44.00 (Enhanced from Rs.24.00 crore and including proposed limit of Rs.12.00 crore)	IVR A2 (Credit Watch with Developing Implications) (IVR A Two under Credit watch with developing implications)
Short Term Bank Facilities – Bank Guarantee	-	-	-	86.18 (Enhanced from Rs.69.18 crore and including proposed limit of Rs.8.00 crore)	IVR A2 (Credit Watch with Developing Implications) (IVR A Two under Credit watch with developing implications)
Short Term Bank Facilities – Derivative / CEL	-	-	-	0.44 (New Facility)	IVR A2 (Credit Watch with Developing Implications) (IVR A Two under Credit watch with developing implications)

*\*outstanding as on March 31, 2021.*

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Landers-ACPL-06-05-21.pdf>