



Press Release

Anvil Cables Private Limited

January 11, 2022

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	68.99	IVR BBB+ under Credit Watch with Negative Implications (IVR triple B plus under credit watch with negative implications)	Reaffirmed; Rating under Credit Watch with Negative Implications
Short Term Bank Facilities	130.62	IVR A2 under Credit Watch with Negative Implications (IVR A two under Credit watch with negative implications)	Reaffirmed; Rating under Credit Watch with Negative Implications
Total	199.61 (One Hundred ninety nine crore and sixty one lakhs rupees only)		

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 FY21 and continued weakness in H1 FY22, 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 negative implications owing to deterioration in the financial performance during FY21 and continued weakness in H1 FY22 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.



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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 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



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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 gearing and debt protection metrics

The capital structure of the company remained comfortable with overall gearing of 0.62x as on March 31, 2021 as against an overall gearing of 0.50x as on March 31, 2020. 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 2.01x (2.59x in FY20) and total debt to GCA of 9.74x (2.94x in FY20) in FY21. Total indebtedness of the company remained moderate as reflected by TOL/TNW of 1.17x as on March 31, 2021.

Healthy order book position

ACPL's unexecuted order book position as on March 31, 2021 stood at Rs.137.88 crore comprising pending orders worth ~Rs.55.96 crore for the EPC division and ~Rs.81.92 crore from the manufacturing division. The orders 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 FY21; continued weakness in the H1 FY22

Total operating income witnessed a year-on-year decline from Rs. 379.59 crore in FY20 to Rs. 211.17 crore in FY21 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 FY21, consequently, absolute EBITDA declined from Rs. 41.66 crore in FY20 to Rs. 22.62 crore in FY21. GCA also declined from Rs. 18.64 crore in FY20 to Rs. 7.35 crore in FY21. Infomerics expects the company's operating and financial performance to remain under pressure because of the weak



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macroeconomic environment due to the ongoing pandemic in the near term, at least. The demand recovery is likely to be very small and gradual. Given the weak macro-economic scenario, the top line and profits of the company is likely to remain at lower levels in FY2021 in comparison to previous fiscals.

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

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 228 days in FY21 (103 days in FY20).

Analytical Approach: Standalone

Applicable Criteria:



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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

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 Ujwal Discom 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	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	379.59	211.17
Total Income	381.58	213.60
EBITDA	41.66	22.62
PAT	17.18	5.04
Total Debt	54.81	71.56
Tangible Net worth	110.39	115.42



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For the year ended* / As On	31-03-2020	31-03-2021
EBITDA Margin (%)	10.97	10.71
PAT Margin (%)	4.50	2.36
Overall Gearing Ratio (x)	0.50	0.62

*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/Facilities	Current Rating (Year 2021-22)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating (May 6, 2021)	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	IVR BBB+ Under Credit Watch with Negative Implications	IVR BBB+ Under 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+ Under Credit Watch with Negative Implications	IVR BBB+ Under 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 *	IVR BBB+ Under Credit Watch with	IVR BBB+ Under Credit Watch with	-	-	-



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				Negative Implications	Developing Implications			
4.	CECL	Long Term	3.46 *	IVR BBB+ Under Credit Watch with Negative Implications	IVR BBB+ Under Credit Watch with Developing Implications	-	-	-
5.	Letter of Credit	Short Term	44.00	IVR A2 Under Credit Watch with Negative Implications	IVR A2 Under Credit Watch with Developing Implications	-	IVR A2 (March 19, 2020)	IVR A2 (December 20, 2018)
6.	Bank Guarantee	Short Term	86.18	IVR A2 Under Credit Watch with Negative Implications	IVR A2 Under Credit Watch with Developing Implications	-	IVR A2 (March 19, 2020)	IVR A2 (December 20, 2018)
7.	Derivative/CEL	Short Term	0.44	IVR A2 Under Credit Watch with Negative	IVR A2 Under Credit Watch with Developing	-	-	-



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				Implications	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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Abhishek Nayak	Name: Mr. Sandeep Khaitan
Tel: (033) 46022266	Tel: (033) 46022266
Email: abhishek.nayak@infomerics.com	Email: sandeep.khaitan@infomerics.com

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. 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.



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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	-	-	-	53.00	IVR BBB+ Under Credit Watch with Negative Implications
Long Term Bank Facilities – Standby line of Credit	-	-	-	4.00	IVR BBB+ Under Credit Watch with Negative Implications
Long Term Bank Facilities – GECL	-	-	January, 2025	8.53 *	IVR BBB+ Under Credit Watch with Negative Implications
Long Term Bank Facilities – CECL	-	-	May, 2022	3.46 *	IVR BBB+ Under Credit Watch with Negative Implications
Short Term Bank Facilities – Letter of Credit	-	-	-	44.00	IVR A2 Under Credit Watch with Negative Implications
Short Term Bank Facilities – Bank Guarantee	-	-	-	86.18	IVR A2 Under Credit Watch with Negative Implications
Short Term Bank Facilities – Derivative / CEL	-	-	-	0.44	IVR A2 Under Credit Watch with Negative Implications

*outstanding as on March 31, 2021.

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Anvil-Cables-lenders-jan22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Guaranteed Emergency Line of Credit	Simple
2.	Covid Emergency Line of Credit	Simple
3.	Cash Credit	Simple
4.	Standby Line of Credit	Simple
5.	Letter of Credit	Simple
6.	Bank Guarantee	Simple



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7.	Derivative/CEL	Simple
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