



## Press Release

### Anvil Cables Private Limited

July 8, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	70.21 (enhanced from Rs. 68.99 crore) (includes proposed GECL loan of Rs. 4.87 crore, proposed Cash Credit of Rs 4.00 crore and proposed Stand by Line of Credit of Rs. 4.00 crore)	IVR BBB+/ Negative (IVR triple B plus with Negative outlook)	Rating reaffirmed with Negative outlook and removed from Credit Watch with Negative Implications	Simple
Short Term Bank Facilities	107.40 (reduced from Rs. 130.62 crore) (includes proposed Letter of credit of Rs. 11.50 and proposed bank guarantee of Rs. 13.32 crore)	IVR A2 (IVR A two)	Rating reaffirmed and removed from Credit Watch with Negative Implications	Simple
<b>Total</b>	<b>177.61 (INR One hundred seventy seven crore and sixty one lakh only)</b>			

Details of Facilities are in Annexure 1

Detailed Rationale



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

The ratings were assigned a Negative outlook and removed from credit watch with negative implications. The removal of ratings under credit watch with negative implication was due to healthy order book of ~620 crore as on June 29, 2022. However, the negative outlook was assigned due to decline in the topline and profits during the past two fiscals and achievement of projections in FY23 remains to be seen.

### **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
- 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



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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.

- **Satisfactory gearing and debt protection metrics**

The capital structure of the company remained comfortable with overall gearing of 0.53x as on March 31, 2022 as against an overall gearing of 0.62x as on March 31, 2021. The moderation in overall gearing was due to a decline in long term debt and bank borrowing coupled with an increase in networth. Total indebtedness remained moderate as reflected by TOL/TNW of 1.20x as on March 31, 2022 (1.17x as on March 31, 2021). Interest coverage ratio continued to remain comfortable and improved to 1.92x in FY22 from 1.41x in FY21. Total debt to GCA also moderated to 7.19 years in FY22 from 9.74 years in FY21.

- **Healthy order book position**

ACPL's unexecuted order book position as on June 29, 2022, stood at ~Rs.620 crore comprising pending orders worth ~Rs.418 crore for the EPC division and ~Rs.202 crore from the manufacturing division. The order book is 2.7 times FY22 revenues. 40% of these orders are expected to be completed in the current fiscal (FY23), thus indicating a satisfactory near to medium term revenue visibility. However, timely execution of the orders remains a key rating factor going ahead.

- **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.

- **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



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City /Jamshedpur in the state of Jharkhand. Further, being close to the neighbouring states of West Bengal, Chhattisgarh, Bihar & Orissa, it has easy access to larger market.

- **Favorable outlook of Advance Metering Infrastructure (AMI), cable/conductors and wires in India**

The outlook for cable/conductors and AMI 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

- **Subdued topline performance and moderation in profitability in past few years**

In FY20 and FY21 the company witnessed a decline in topline due to decline in sales volumes as well as sales realisation of aluminium cables and COVID led disruption. Consequently, profits and GCA also deteriorated in FY20 and FY21. The company's total operating income (TOI) decreased by ~44% y-o-y to Rs. 211.17 crore and by ~8% to Rs. 379.59 crore in FY21 and FY20, respectively. Consequently, the EBDITA also decreased to Rs. 22.62 crore and Rs. 41.66 crore, respectively in FY21 and FY20, respectively. Nevertheless, TOI increased by 6.07% y-o-y to Rs.225.22 crore in FY22 on the back of higher execution of contracts. However, EBITDA declined by 0.55% to Rs. 22.49 crore in FY22. Going forward, a sustained increase in the scale of operations along with maintenance of healthy profitability margins will be a keyrating factor going forward.

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

ACPL's operating margin is susceptible to volatility in its input prices (mainly aluminium). Any upward movements in the prices of aluminium, 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



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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 212 days in FY22 (228 days in FY21).

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing 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 overall gearing stood at 0.53x as on March 31, 2022 indicating a sufficient gearing headroom. However, the average fund-based working capital limit utilisation remained high at 93% during the past twelve months ended April 22, 2022 indicating moderate liquidity buffer. Nevertheless, absence of any debt funded capex provides some comfort to the liquidity position.

**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. 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).



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The company is also increasing its business by participating actively in tenders related to smart metering business - Advanced Metering Infrastructure (AMI) under Ujwal Discom Assurance Yojana (UDAY) scheme launched by the Government.

### Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31-March-21 (Audited)	31-March-22 (Audited)
Total Operating Income	211.17	225.22
EBITDA	22.62	22.49
PAT	5.04	6.47
Total Debt	71.56	64.02
Tangible Net-worth	115.42	121.71
EBITDA Margin (%)	10.71	9.99
PAT Margin (%)	2.36	2.86
Overall Gearing Ratio (x)	0.62	0.53

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**





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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22		Date(s) & Rating(s) assigned in 2020-21
					<b>April 15, 2022</b>	<b>January 11, 2022</b>	<b>May 6, 2021</b>	
1.	GECL	Long Term	13.21	IVR BBB+/Negative	IVR BBB+ Under Credit Watch with Negative Implications	IVR BBB+ Under Credit Watch with Negative Implications	IVR BBB+ Under Credit Watch with Developing Implications	-
2.	Cash Credit	Long Term	53.00	IVR BBB+/Negative	IVR BBB+ Under Credit Watch with Negative Implications	IVR BBB+ Under Credit Watch with Negative Implications	IVR BBB+ Under Credit Watch with Developing Implications	-
3.	CECL	Long Term	-	-	IVR BBB+ Under Credit Watch with Negative Implications	IVR BBB+ Under Credit Watch with Negative Implications	IVR BBB+ Under Credit Watch with Developing Implications	
4.	Stand by Line of Credit	Long Term	-	-	IVR BBB+ Under Credit Watch with	IVR BBB+ Under Credit Watch	IVR BBB+ Under Credit Watch with Developing	



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					April 15, 2022	January 11, 2022	May 6, 2021	
					Negative Implications	with Negative Implications	Implications	
4.	Proposed Stand by Line of Credit	Long Term	4.00	IVR BBB+/Negative	-	-	-	-
5.	Derivative/CEL	Short Term	0.40	IVR A2	IVR A2 Under Credit Watch with Negative Implications	IVR A2 Under Credit Watch with Negative Implications	IVR A2 Under Credit Watch with Developing Implications	-
6.	Letter of Credit	Short Term	37.00	IVR A2	IVR A2 Under Credit Watch with Negative Implications	IVR A2 Under Credit Watch with Negative Implications	IVR A2 Under Credit Watch with Developing Implications	-
7.	Bank Guarantee	Short Term	70.00	IVR A2	IVR A2 Under Credit Watch with Negative Implications	IVR A2 Under Credit Watch with Negative Implications	IVR A2 Under Credit Watch with Developing Implications	-





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### About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

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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
GECL I	-	-	FY25	6.80	IVR BBB+/ Negative
GECL II	-	-	FY25	1.54	IVR BBB+/ Negative
Proposed GECL	-	-	-	4.87	IVR BBB+/ Negative
Cash Credit I	-	-	-	32.00	IVR BBB+/ Negative
Cash Credit II	-	-	-	14.00	IVR BBB+/ Negative
Cash Credit III	-	-	-	3.00	IVR BBB+/ Negative
Proposed Cash Credit	-	-	-	4.00	IVR BBB+/ Negative
Proposed Standby Line of Credit	-	-	-	4.00	IVR BBB+/ Negative
Derivative/ CEL	-	-	-	0.40	IVR A2
Letter of Credit I	-	-	-	12.00	IVR A2
Letter of Credit II	-	-	-	6.00	IVR A2
Letter of Credit III	-	-	-	7.50	IVR A2
Proposed Letter of Credit	-	-	-	11.50	IVR A2
Bank Guarantee I	-	-	-	28.68	IVR A2
Bank Guarantee II	-	-	-	13.77	IVR A2
Bank Guarantee III	-	-	-	14.23	IVR A2



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Proposed Bank Guarantee	-	-	-	13.32	IVR A2
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**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Anvil-Cables-july22.pdf>

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

**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).