



Press Release

Delton Cables Ltd

July 26, 2024

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	47.08	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Upgraded	Simple
Long term Bank Facilities	1.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-	Assigned	Simple
Short Term bank Facilities	59.00	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Upgraded	Simple
Short Term bank Facilities	44.00	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Total	151.08	(Rupees One Hundred Fifty one crores and eight lakhs only)			

Details of Facilities are in Annexure 1

Facilities wise lender details are at Annexure – 2

Detailed explanation of covenants is at Annexure – 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgraded/assigned the long-term rating to IVR BBB with a Stable outlook and short term rating as IVR A3+ for the bank loan facilities of Delton Cables Ltd.

The upgradation in the rating assigned to the bank loan facilities of Delton Cables Limited (DCL) continues to derive comfort from its established track record of operations under experienced management and stable business performance in FY24 along with moderate debt protection metrics. The ratings also continue to consider its diversified product profile catering to various segment coupled with its reputed clientele base albeit customer concentration risk. However, these rating strengths continues to remain constrained by its elevated total debt leading to leveraged capital structure, susceptibility of profitability to volatility in raw material prices, working capital-intensive nature of its business, exposure to high competition and dependence on Government contracts.



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The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the Delton cables Limited business & financials risk profile will be maintained over the medium term considering the overall risk profile of the company.

IVR has principally relied on the standalone audited financial results of Delton cables Limited up to FY24(A) (Review Period from April 01, 2023 to March 31, 2024) and three years projected financials till FY27, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income above 700 Crore & improvement in operating margin and cash accrual.
- Improvement in working capital management with improvement in liquidity.
- Improvement in the capital structure with improvement in debt protection metrics on a sustained basis.
- Effective working capital management with improvement in operating cycle and liquidity

Downward Factors

- Moderation in operating income and/or moderation in cash accrual impacting the debt protection metrics on a sustained basis.
- Stretch in the working capital cycle driven by stretch in receivables, or sizeable capital expenditure weakening the financial risk profile, particularly liquidity.
- Moderation in the capital structure with deterioration in overall gearing to more than 1.75x and deterioration in TOL/TNW to over 3x.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

DCL is headed by Mr. V.K. Gupta, who is the Chairman of the company and has an experience of over 42 years in the cable manufacturing industry. Mr. Vivek Gupta, his son, oversees the day-to-day affairs of the company. He has a key role in assessing the market and is actively involved in developing the marketing network for the company's products. Ms. Shriya Gupta, Mr. Gupta's daughter, looks after the business development aspects of the company.

Improvement in financial performance during FY24(A)

Total operating income increased substantially by ~47.30% y-o-y in FY2024 to Rs. 400.86 crore from Rs.272.15 Crore in FY2023 owing to the strong demand from new customers (Mainly GMR, Adani, Shapoorji Pallonji) as well as existing customers (Mainly include Larsen & Toubro, Siemens, BHEL) as well as due to the increase in production capacity from 3003 MCM in FY23 to 4500 MCM in FY24. This proactive expansion allows them to fulfill larger orders and capitalize on the rising demand for their products. Consequently, EBITDA and PAT increased to Rs. 28.74 crore and Rs. 14.62 crore, (Includes an exceptional item of Rs. 5.98 Crore) respectively in FY2024 up 57.70% and 2,196.51% y-o-y from Rs. 18.22 crore and Rs. 0.64 crore respectively in FY2023. GCA increased 29.15% y-o-y to Rs. 10.19 crore in FY2024. Infomerics expects topline and profit to grow going forward given the strong demand for wires and cables in the industry.

Moderate financial risk profile albeit leveraged capital structure.

The company's debt profile comprises mainly of working capital borrowings from banks, term loan from Banks & financials institution. As of March 31, 2024, net worth of the company stood at Rs. 70.89 crore, compared with Rs. 56.33 crore as on March 31, 2023. Total debt was Rs. 113.11 crore as of March 31, 2024, compared with Rs. 81.66 crore as on March 31, 2023.



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Thus capital structure remained comfortable with long term debt equity ratio of 0.21x (compared with 0.27 times as on March 31, 2023) and overall gearing ratio of 1.60x as on March 31, 2024, almost in line with 1.45x as on March 31, 2023. The debt protection parameters were comfortable in FY24 with interest coverage ratio of 1.61x (1.55x in FY23) and debt service coverage of 1.39x (1.39x in FY23). Total debt to GCA slightly moderated to 11.10x in FY24 (10.35x in FY23), due to an increase in Total Debt. Going forward the capital structure is expected to remain comfortable as the company has no major capex plans and there is no likely substantial increment in working capital requirement.

Reputed clientele

The company's customer base consists of reputed Government companies and large private companies engaged in manufacturing of cables and conductors and electrification business as evident from the order book of the company. The repeat orders received from its clientele validates its capabilities. Though DCL 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.

Favorable outlook of cable/conductors (the end consumer) 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

Exposure to intense competition; leading to range-bound margins

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, DCL also faces competition from the organized sector players. The EBITDA margins have remained range-bound between 7.32% - 7.17% over the last few years given the intense competition and fragmentation in the industry.



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Elongated receivable period in FY24(A)

Average collection period has marginally moderated from 58 days in FY23 to 67 days in FY24, this is expected to remain healthy in near to medium term. Additionally, Debtors cycle can draw comfort from the prestigious clientele across various sectors, including Larsen & Toubro (L&T), Siemens, Bharat Heavy Electrical Limited (BHEL), Kalpataru Power Transmission Western Railway, KEC International, Shapoorji Pallonji, Adani, Tata Projects, and GMR.

Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodology for manufacturing entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)
[Criteria for assigning rating outlook](#)
[Policy on Default Recognition](#)
[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

DCL has generated a gross cash accrual of Rs. 10.19 crore in FY24 against the debt repayment obligation of Rs. 5.29 crore. Further, the company liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY24. Further, the company has projected to earn sufficient cash accruals in the range of ~Rs. 21.90 crore to Rs. 35.21 crore in comparison to its debt repayment obligation of Rs 7.08 crore to Rs 3.42 crore in the projected period of FY25 to FY27. The average utilization of fund-based bank limits for last 12 months ended June 2024 stood at 71.33% indicating limited buffer to meet incremental requirements. The current ratio stood at 1.26x as on March 31, 2024.



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About the Company

Delton Cables Limited (DCL) was established in 1964 by Late Mr. Ram Kumar Gupta as a private limited company and later, was converted into a public limited in 1981. Presently Mr. Vijender Kumar Gupta (s/o Mr. Ram Kumar Gupta) is the Chairman and Whole Time Director & Mr. Vivek Gupta (s/o Vijender Kumar Gupta) is the Managing Director, and the company is listed on Bombay Stock Exchange. It is engaged in the manufacturing of cables and wire. It is also into the manufacturing of switch gears and Structured Cable Solution (SCS) product . It sells products under its own brand name - 'DELTON'.

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	272.15	400.86
EBITDA	18.22	28.74
PAT	0.64	14.61
Total Debt	81.66	113.11
Tangible Net worth*	56.33	70.89
EBITDA Margin (%)	6.70%	7.17%
PAT Margin (%)	0.23%	3.62%
Overall Gearing Ratio (x)	1.45x	1.60x
ISCR (x)	1.55x	1.61x

*as per Infomerics standards

Status of non-cooperation with previous CRA : Brickwork Ratings continued the rating to Issuer Non-Cooperation category dated June 08, 2023 due to information insufficiency and lack of management cooperation.

Any other information: : Nil

Rating History for last three years:



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Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 Dated : Oct 11, 2023	Date(s) & Rating(s) assigned in 2022-23 Dated : Dec 30, 2022	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	7.08	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-
2.	Cash Credit	Long Term	41.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	-
3	BG/LC	Short Term	103.00	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Om Prakash Jain
Tel: (011) 45579024
Email: opjain@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).



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Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit 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
Long Term Bank Facilities – Term Loan			July 2027	7.08	IVR BBB/ Stable (IVR Triple B with Stable outlook)
Long Term Bank Facilities – Cash Credit			-	41.00	IVR BBB/ Stable (IVR Triple B with



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					Stable outlook)
Short Term Bank Facilities – Bank Guarantee/Letter of Credit			-	103.00	IVR A3+ (IVR A Three Plus)

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-DeltonCables-july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated securities/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: 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