Press Release

Anvil Cables Private Limited

September 29, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	87.03 (enhanced from Rs. 70.21 crore and includes proposed facility of Rs.13.00 crore)	IVR BBB+/ Negative (IVR triple B plus with Negative outlook)	Reaffirmed	Simple
Short Term Bank Facilities	112.70 (enhanced from Rs. 107.40 crore)	IVR A2 (IVR A two)	Reaffirmed	Simple
Total	**199.73 (INR One hundred ninety nine crore and seventy three lakh 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, improvement in topline and profit, 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 susceptibility of operating margin to fluctuations in input prices, intense competition and elongated receivable cycle with moderate working capital intensity.

The rating outlook continues to remain negative in view of the lower topline and profitability vis-à-vis the projections for FY2023 on account of delay in commissioning of the order in hand. However, the execution of same has started and is likely to get completed in the current fiscal. The successful and timely execution of order book will be a key monitorable going forward.

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 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.

- **Improvement in topline and profit**

Total operating income of the company increased by 10.64% year over year in FY23 to Rs.248.89 crore owing to increase in the revenues from the manufacturing driven by strong demand for various cables, wires & conductors products in the market, along with the execution of two orders in the AMI segment - J&K order and Assam DTR metering order. Consequently, EBITDA and PAT also increased by 8.19% and 26.63% y-o-y to Rs.8.19 crore and Rs. 26.63 crore, respectively. Going forward a consistent increase in topline and profit will be a key rating factor.

- **Satisfactory gearing and debt protection metrics**

The capital structure of the company remained comfortable with total debt of Rs. 56.27 crore compared with net worth of Rs.130.10 crore as on March 31, 2023. The total debt declined from Rs. 64.02 crore and networth improved from Rs. 121.71 crore as on March 31, 2022. The overall gearing ratio improved to 0.43x as on March 31, 2023 from 0.53x as on March 31,

2022. 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 of the company remained moderate as reflected by TOL/TNW of 1.46x as on March 31, 2023 (1.20x as on March 31, 2022). Interest coverage ratio continued to remain comfortable at to 1.89x in FY23 compared with 1.92x in FY22. Total debt to GCA improved to 4.92 years in FY23 from 7.19 years in FY22.

- **Healthy order book position**

ACPL's unexecuted order book position as on September 1, 2023 stood at ~Rs.864 crore comprising orders worth ~Rs.744 crore for the EPC division and ~Rs.120 crore from the manufacturing division. The order book is 3.5 times FY23 revenues 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 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

- **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 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 187 days in FY23 (221 days in FY22).

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies]
[Financial Ratios & Interpretation (Non- Financial Sector)]
[Criteria for Assigning Rating Outlook]

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. However, the average working capital limit utilisation remained high at 93% during the past twelve months ended July 2023. 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). 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-22 (Audited)	31-March-23 (Audited)
Total Operating Income	225.22	248.89
EBITDA	22.49	24.34
PAT	6.47	8.20
Total Debt	64.02	56.27
Tangible Net-worth	121.71	130.10
EBITDA Margin (%)	9.99	9.78
PAT Margin (%)	2.86	3.27
Overall Gearing Ratio (x)	0.53	0.43

*****_Classification as per Infomerics' standards_

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2023-24)				Rating History for the past 3 years				
		Tenure	Amount outstanding (Rs. Crore)	Rating(s)		Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22		Date(s) & Rating(s) assigned in 2020-21
					June 1, 2023	July 8, 2022	April 15 2022	January 11, 2022	May 6, 2021	
1.	Issuer Rating	Long Term	-	-	Withdrawn	IVR BBB+[Is]/ Negative	IVR BBB+[Is] Under rating Watch with Negative Implications	IVR BBB+[Is] Under Rating Watch with Negative Implications	IVR BBB+[Is] Under rating Watch with Developing Implications	-
2.	GECL	Long Term	4.03	IVR BBB+/ Negative	IVR BBB+/Negative	IVR BBB+/ Negative	IVR BBB+ Under rating Watch with Negative Implications	IVR BBB+ Under rating Watch with Negative Implications	IVR BBB+ Under rating Watch with Developing Implications	-

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					June 1, 2023	July 8, 2022	April 15 2022	January 11, 2022	May 6, 2021	
3.	Cash Credit	Long Term	83.00*	IVR BBB+/ Negative	IVR BBB+/ Negative	IVR BBB+/ Negative	IVR BBB+/ Under rating Watch with Negative	IVR BBB+/ Under rating Watch with Negative Implications	IVR BBB+ Under rating Watch with Developing Implications	-
4.	CECL	Long Term	-	-	-	-	IVR BBB+/ Under rating Watch with Negative	IVR BBB+/ Under rating Watch with Negative Implications	IVR BBB+ Under rating Watch with Developing Implications	-

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					June 1, 2023	July 8, 2022	April 15 2022	January 11, 2022	May 6, 2021	
5.	Stand by Line of Credit	Long Term	-	-	-	-	IVR BBB+/ Under rating Watch with Negative Implications	IVR BBB+/ Under rating Watch with Negative Implications	IVR BBB+ Under rating Watch with Developing Implications	-
6.	Proposed Stand by Line of Credit	Long Term	-	-	IVR BBB+/ Negative	IVR BBB+/ Negative	-	-	-	-
7.	Derivative/CEL	Short Term	0.02	IVR A2	IVR A2	IVR A2	IVR A2 Under rating Watch with Negative Implications	IVR A2 Under rating Watch with Negative Implications	IVR A2 Under rating Watch with Developing Implications	-

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					June 1, 2023	July 8, 2022	April 15 2022	January 11, 2022	May 6, 2021	
8.	Letter of Credit	Short Term	24.00	IVR A2	IVR A2	IVR A2	IVR A2 Under rating Watch with Negative Implications	IVR A2 Under rating Watch with Negative Implications	IVR A2 Under rating Watch with Developing Implications	-
9.	Bank Guarantee	Short Term	88.68	IVR A2	IVR A2	IVR A2	IVR A2 Under rating Watch with Negative Implications	IVR A2 Under rating Watch with Negative Implications	IVR A2 Under rating Watch with Developing Implications	-

**includes proposed cash credit of Rs. 13.00 crore*

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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).

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.

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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	3.26	IVR BBB+/ Negative
GECL II	-	-	FY25	0.77	IVR BBB+/ Negative
Cash Credit I	-	-	-	32.00	IVR BBB+/ Negative
Cash Credit II	-	-	-	21.00	IVR BBB+/ Negative
Cash Credit III	-	-	-	7.00	IVR BBB+/ Negative
Cash Credit IV	-	-	-	10.00	IVR BBB+/ Negative
Proposed Cash Credit	-	-		13.00	IVR BBB+/ Negative
Derivative/CEL	-	-		0.02	IVR A2
Letter of Credit I	-	-		12.00	IVR A2
Letter of Credit II	-	-		6.00	IVR A2
Letter of Credit III	-	-		6.00	IVR A2
Bank Guarantee I	-	-		28.68	IVR A2
Bank Guarantee II	-	-		23.77	IVR A2
Bank Guarantee III	-	-		16.23	IVR A2
Bank Guarantee IV	-	-		20.00	IVR A2

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-sep23.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.