Press Release

Anvil Electricals Private Limited

January 21, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Term Loan	1.45 * (Reduced from Rs.1.69 crore)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Long Term Bank Facilities – Cash Credit	15.54 (including proposed limit of Rs.6.54 crore and reduced from Rs.22.92 crore)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Long Term Bank Facilities – GECL #	2.08 (New Facility)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
Long Term Bank Facilities – CECL #	1.30 (New Facility)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
Long Term Bank Facilities – Bank Guarantee	4.00 (Existing facility)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Short Term Bank Facilities – Letter of Credit	7.50 (including proposed limit of Rs.3.50 crore)	IVR A3 (IVR A Three)	Reaffirmed
Short Term Bank Facilities – FITL #	0.50 (New Facility)	IVR A3 (IVR A Three)	Assigned
Total	**32.37**		

**outstanding as on November 30, 2020*

 # GECL – Guaranteed Emergency Credit Line
CECL – COVID19 Emergency Credit Line
FITL – Funded Interest Term Loan

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Anvil Electricals Private Limited (AEPL) continues to derive strength from its experienced promoters, synergies derived from the Group companies and locational advantages. The ratings also factor in satisfactory gearing albeit moderation in debt protection metrics in FY20. However, the ratings are constrained by deterioration in financial performance in FY20, susceptibility of operating margins to fluctuations in input prices and intense competition.

Key Rating Sensitivities:

Upward factors

- Sharp increase in scale of operations and profitability
- Significant improvement in capital structure and debt protection metrics
- Improvement in the operating cycle with improvement in liquidity

Downward factors

- Deterioration in overall gearing to over 1.5 times
- Deterioration in profit margin and debt coverage indicators
- Deterioration in the operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

Anvil Electricals Private Limited is a part of the Anvil Group promoted by Mr. Tushar Dalmia and Mrs. Renu Dalmia having more than ten years of experience in the manufacturing of 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.

Locational advantage

The plant is located at Large Sector, Adityapur Industrial Estate, Jamshedpur, Jharkhand, which is centrally located in the industrial belt of Jharkhand and well connected with nearby raw material procurement areas. Further, being close to the neighbouring states of West Bengal, Chhattisgarh, Bihar & Orissa, there will be easy access to larger market.

Synergies with Anvil Cables Private Limited

Anvil Cables Private Limited (rated: IVR BBB+ / Stable; IVR A2 on March 19, 2020) and Anvil Electricals Private Limited have common promoters who oversee the operations of both the companies. The synergies are obtained from same line of business and the ability of the promoter to allocate common resources as per pressing needs among the two companies.

Satisfactory capital structure albeit moderation in debt protection metrics in FY20

The capital structure of the company remained comfortable and improved with long term debt equity ratio and overall gearing of 0.61x and 1.46x respectively as on March 31, 2020 as against a long-term debt equity ratio and overall gearing of 0.78x and 1.79x respectively as on March 31, 2019 (considering unsecured loans of promoters and relatives of Rs.4.00 crore as on March 31, 2020 as neither debt nor equity). However, on account of decline in cash accruals, the debt protection metrics moderated in FY20 with total debt to GCA to 7.00x (5.81x in FY19) and interest coverage ratio to 1.84x (2.12x in FY19) in FY20.

Favourable outlook of cable/conductors and wires in India

The cables and conductor's industry is open to significant growth opportunities on account of investments planned in the power and infrastructure sectors by the government. Investment by the central government through schemes such as Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY), Integrated Power Development Scheme (IPDS) and Saubhagya will continue to maintain the demand in the cables and conductors' segment.

Key Rating Weaknesses

Deterioration in financial performance in FY20

AEPL operated for 9 months in FY19 (FY19 being the first year of operations for the company) and achieved a turnover of Rs.72.19 crores in the first nine months of operations. However, the total operating income of the company moderated to Rs.67.42 crore in FY20 since the company was not able to meet its sales target for the month of March, 2020 due to sudden outbreak of COVID 19 and the ensuing lockdown. In spite of the decline in total operating income in FY20 as compared to FY19, EBITDA margin improved from 7.34% in FY19 to 8.20% in FY20 driven by cost optimisation. However, due to higher utilisation of fund-based limits, there was increase in interest cost in FY20 as compared to FY19 leading to moderation in PAT margin from 2.54% in FY19 to 2.49% in FY20. GCA also decreased from Rs.2.68 crore in FY19 to Rs.2.17 crore in FY20. Further, during FY20, working capital intensity of the business also increased with elongation in its operating cycle.

During 9MFY21, AEPL achieved a turnover of Rs.54.57 crore with PBT of Rs.1.89 crore.

Susceptibility of operating margin to fluctuations in input prices

AEPL'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 an extent due to largely back-to-back order policy of the company.

Exposure to 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, AEPL also faces competition from the organized sector players. Its growth is intertwined with the growth of the economy at large. However, the company has sufficient orders in its hand which is to be executed by FY21.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The liquidity profile of the company is expected to be adequate in the near to medium term marked by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs.4.38 crores as on November 30, 2020. The current ratio was comfortable at 1.56x as on March 31, 2020. However, its average bank limit utilisations are on the higher side to the extent of ~98% during the past 12 months ended on October, 2020 indicating a limited liquidity buffer.

About the Company

Anvil Electricals Private Limited (AEPL) is a part of West Bengal based Anvil Group and is engaged in manufacturing of overhead electrical conductor from July, 2018 onwards. The manufacturing facility of the company is located at Jamshedpur, West Bengal with an installed capacity of 9,000 MTPA.

The promoter directors, Mr. Tushar Dalmia and Mrs. Renu Dalmia, have more than ten years of experience in manufacturing of 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.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	72.19	67.42
Total Income	72,47	67.77
EBITDA	5.30	5.53
PAT	1.84	1.69
Total Debt	15.59	15.16
Tangible Net worth	8.71	10.40
EBITDA Margin (%)	7.34	8.20
PAT Margin (%)	2.54	2.49
Overall Gearing Ratio (x)	1.79	1.46

**As per Infomerics' Standard*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	1.45 * (Reduced from Rs.1.69 crore)	IVR BBB- / Stable Outlook	IVR BBB- / Stable Outlook (November 08, 2019)	IVR BBB- / Stable Outlook (August 29, 2018)	-
2.	Cash Credit	Long Term	15.54 (including proposed limit of Rs.6.54 crore and reduced from Rs.22.92 crore)	IVR BBB- / Stable Outlook	IVR BBB- / Stable Outlook (November 08, 2019)	IVR BBB- / Stable Outlook (August 29, 2018)	-
3.	GECL	Long Term	2.08 (New Facility)	IVR BBB- / Stable Outlook		-	-
4.	CECL	Long Term	1.30 (New Facility)	IVR BBB- / Stable Outlook		-	-

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
5.	Bank Guarantee	Long Term	4.00 (Existing facility)	IVR BBB- / Stable Outlook	IVR BBB- / Stable Outlook (November 08, 2019)	IVR BBB- / Stable Outlook (August 29, 2018)	-
6.	Letter of Credit	Short Term	7.50 (including proposed limit of Rs.3.50 crore)	IVR A3	IVR A3 (November 08, 2019)	IVR A3 (August 29, 2018)	-
7.	FITL	Short Term	0.50 (New Facility)	IVR A3	-	-	-

outstanding as on November 30, 2020

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.

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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 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.

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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	-	-	March, 2024	1.45 * (Reduced from Rs.1.69 crore)	IVR BBB- / Stable Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	15.54 (including proposed limit of Rs.6.54 crore and reduced from Rs.22.92 crore)	IVR BBB- / Stable Outlook
Long Term Bank Facilities – GECL	-	-	September, 2024	2.08 (New Facility)	IVR BBB- / Stable Outlook
Long Term Bank Facilities – CECL	-	-	June, 2022	1.30 (New Facility)	IVR BBB- / Stable Outlook
Long Term Bank Facilities – Bank Guarantee	-	-	-	4.00 (Existing facility)	IVR BBB- / Stable Outlook
Short Term Bank Facilities – Letter of Credit	-	-	-	7.50 (including proposed limit of Rs.3.50 crore)	IVR A3
Short Term Bank Facilities – FITL	-	-	March, 2021	0.50 (New Facility)	IVR A3

**outstanding as on November 30, 2020*