

Press Release

Cabcon India Limited

22 August, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 332.00 Cr.
Long Term Rating	ACUITE BBB+/Stable (Assigned)
Short Term Rating	ACUITE A2 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned a long term rating of '**ACUITE BBB+**' (**read as ACUITE triple B plus**) and short term rating of '**ACUITE A2**' (**read as ACUITE A two**) on the Rs. 332.00 Cr bank facilities of Cabcon India Limited (CIL). The outlook is "**Stable**"

Incorporated in 1991 by Mr. Shri Balabh Fomra, Cabcon India Limited is engaged in the manufacture of power cables and aluminum conductors used for transmission of power through distribution and transmission lines. The company also executes turnkey projects for installation of power distribution lines and sub-stations under different programs of the central government. CIL has an installed capacity of 27,000 MTPA of aluminum conductors and 8000 MTPA of power cables. The company is promoted by the Fomra family of Kolkata and currently the business is managed by the second generation led by Mr. Madan Mohan Fomra, Mr. Vijay Kumar Fomra and Mr. Manish Kumar Fomra.

Key Rating Drivers

Strengths

Experienced Management and long track record of operation

Incorporated in 1991, CIL has long track record of over 25 years in the field of aluminum and power cable manufacturing business. The company is managed by the Fomra family of Kolkata who are actively involved in the day to day operation of the company. The company was promoted by Mr. Ballabh Fomra and thereafter his sons Mr. Madan Mohan Fomra, Mr. Vijay Kumar Fomra and Mr. Manish Kumar Fomra were appointed as the directors of the company. The directors over the years have introduced new product lines and in 2010, diversified its business to EPC Division.

EPC key driver of revenue growth

The company has registered revenue of Rs 565.66 Cr. in FY 18 (prov.) as compared to Rs 407.92 Cr. in the previous year thereby registering a healthy y-o-y growth of 40 per cent. The company's revenues have grown at a compounded annual growth rate (CAGR) 22.1 per cent during the last four years. The significant growth in revenue is mainly driven by the rise in contribution from the EPC business at Rs 185.19 Cr in FY 2018 (prov.) as against Rs 118.85 Cr in the previous year.

The rise in revenues has been coupled with an increase in net cash accruals to Rs 14.29 Cr. in FY 2018 (prov.) as compared to Rs 8.23 Cr. in the previous year.

Healthy order book position

The company has a healthy order book of ~ Rs 795 Cr from EPC projects and Rs 490.36 Cr from manufacturing of cables and conductors. The healthy order book position comprises of repeat orders received especially from state power utilities in Eastern India. Acuité believes that the strong execution capability of the company will lead to continuous flow of orders which in turn will support the business risk profile of the company over the medium term.

Established relationship with its customers

Over the years, CIL has been able to establish healthy relationship with its customers. The company is a major player in eastern India and caters to West Bengal State Electricity Distribution Company limited (Rated ACUITE A-/Stable/A2+) , South Bihar Power Distribution Company Limited, North Bihar Power Distribution Company Limited, Power Grid Corporation of India Limited, Meghalaya Power Distribution Corporation Limited for the EPC Projects. For the aluminum conductors and cables manufacturing division, the company is catering to Larsen & Toubro Limited, Bajaj Electricals Limited, NCC Limited, Kalpataru Power Transmission Limited, IL&FS Engg & Cons co Limited, Jharkahnd Bijli Bitran Nigam Limited and Tata Projects Limited to name a few.

Weaknesses

Working capital intensive operations

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 188 days in FY2018 (prov.) as compared to 220 days in FY2017. The high GCA days are on account of a high level of receivables, an inherent nature in the EPC contract business. The debtor days remained in the range of 98-105 days during the period under review (FY 2016-2018). The working capital intensity is further reflected from the full utilization of its fund based limit of Rs 90 Cr for the 12 month ended June'18.

Moderate financial risk profile

The financial risk profile of CIL is moderate marked by healthy net worth base, modest gearing (debt-equity) and moderate debt protection metrics. The net-worth stood at around Rs 67.95 Cr in FY2018 (prov.) as compared to Rs 53.64 Cr in the previous year. The debt to equity ratio of the company stands at 1.74 times as on 31st March, 2018 (prov.) as against 2.00 times on 31st March, 2017. Going forward however, Acuité believes the debt-equity ratio will improve as the company is in the process of raising fresh equity of ~ Rs 40 cr through Initial Public Offer (IPO). The debt protection metrics is moderate marked by interest coverage ratio of 1.65 times as on 31st March, 2018 (prov.) as against 1.45 times as on 31st March, 2017. The net cash accruals to total debt (NCA/TD) stand at 0.12 times as on 31st March, 2018 (prov.).

Outlook: Stable

Acuité believes the outlook on CIL rated facilities will remain stable over the medium term backed by its long track record of operations and healthy order book position. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while improving its working capital cycle. The outlook may be revised to 'Negative' in case the company fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its liquidity position deteriorates further.

Analytical Approach: Acuité has taken a standalone view of the business and financial risk profile and CIL.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	569.66	406.99	348.01
EBITDA	Rs. Cr.	48.93	33.43	32.02
PAT	Rs. Cr.	11.98	6.06	5.20
EBITDA Margin	(%)	8.59	8.21	9.20
PAT Margin	(%)	2.10	1.49	1.49
ROCE	(%)	28.82	22.07	44.92
Total Debt/Tangible Net Worth	Times	1.74	2.00	2.25
PBDIT/Interest	Times	1.65	1.45	1.36
Total Debt/PBDIT	Times	2.26	2.92	2.90
Gross Current Assets (Days)	Days	188	220	216

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

NA

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	90.00	ACUITE BBB+/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A2 (Assigned)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	202.00	ACUITE A2 (Assigned)
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About Acuité Ratings & Research:

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