

Press Release

Cabcon India Limited

April 24, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB+** (read as ACUITE triple B plus) and the short term rating of '**ACUITE A2**' (read as ACUITE A two) to Rs. 332 crore bank facilities of Cabcon India Limited (CIL). The outlook is '**Stable**'.

Cabcon India Limited (CIL) was incorporated in 1991 by Mr. Ballabh Fomra. Currently, the company is managed by the second generation entrepreneur, Mr. Madan Mohan Fomra and Mr. Vijay Kumar Fomra. The company started its operations as a manufacturer, supplier and exporter of aluminium conductors, Low Tension (LT) power & control cables and LT AB cables and over a period, it diversified into EPC for execution of turnkey projects for installation of power distribution lines and sub-stations in the field of development of rural electricity infrastructure & household electrification under different programs initiated by the Government of India. The company is an approved supplier of Conductors & Cables to Power Utilities like PGCIL, NTPC, NHPC, DVC, CESC and all State Electricity Transmission and distribution companies, and also vendor to reputed EPC contractors L&T, Bajaj, Kalpataru Power, Godrej, KEC International, only to name a few.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of CIL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

Established in 1991, Cabcon India Limited (CIL) has a long operational track record of around three decades in the cables and conductors industry. Currently, the second generation promoters who have long standing experience in the business are managing the day to day operations of the company. Over the years, they have been able to establish comfortable relationships with reputed customers. Acuité believes that the long track record of operations and experienced management will benefit the company going forward resulting in steady growth in the scale of operations.

- **Healthy order book position**

The company has a healthy order book to the tune of Rs.455.75 crore from EPC projects and Rs.291.05 crore from manufacturing of cables and conductors, as on 29th February, 2020. The healthy order book position comprises of repeat orders received mainly from state power utilities in Eastern India. Acuité believes that the healthy order book position of the company provides comfortable revenue visibility over the medium term.

- **Healthy relationship with reputed customers**

CIL is a major player in the eastern region of India and the company has built strong relationship with reputed customers, namely, 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 aluminum conductors and cables manufacturing division. Moreover, in the last decade after commencement of the EPC business, the company established healthy relationship with reputed EPC contractors, namely, 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.

Weakness

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 197 days as on March 31, 2019 as compared to 172 days as on March 31, 2018. The GCA days are high due to higher other current assets of Rs.103.88 crore, which consists of nearly 30 per cent of the retention money. The inventory days stood comfortable at 52 in March 31, 2019 as compared to 48 days as on March 31, 2018. The debtor period stood moderate at 80 days in March 31, 2019 as compared to 74 days in March 31, 2018. However, Acuité believes that financial support in the form of unsecured loan by the promoters as seen in the past will continue to augment the company's financial flexibility.

- **Fragmented industry**

The fragmented nature of the industry proves to be a major threat. Only 30 per cent of the players in the industry are in the organized sector while rest of the players are in the unorganized sector. The small market share, competitive pressure because of the presence of small and medium-sized players, and tender-based business will keep operating margins range bound in the manufacturing segment.

Rating Sensitivity

- Improvement in the scale of operation while maintaining profitability margin
- Working capital management in operations

Material Covenant

None

Liquidity Profile

The company has adequate liquidity marked by comfortable net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.16.00 crore in FY19 to repay its maturing debt obligations of Rs.0.16 crore, over the same period. The cash and bank balances of the company stood at Rs.6.32 crore as on March 31, 2019 as compared to Rs.0.63 as on March 31, 2018. However, the company's operations are working capital intensive marked by gross current asset (GCA) of 197 days as on March 31, 2019 as against 172 days in the preceding year. The current ratio stood at 1.00 times as on March 31, 2019 and the fund-based limit remains utilised at 100 percent over the twelve months ended February, 2020. Acuité expects the liquidity position of the company to remain at adequate levels in the absence of any major debt funded capex plans and steady accruals over the medium term.

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.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	542.22	566.65
PAT	Rs. Cr.	13.27	11.61
PAT Margin	(%)	2.45	205
Total Debt/Tangible Net Worth	Times	1.57	1.69
PBDIT/Interest	Times	1.74	1.65

Status of non-cooperation with previous CRA

Brickwork Ratings, vide its press release dated February 05, 2020 had denoted the rating of Cabcon India Limited as 'BWR BB+/Stable/A4+; Downgraded, ISSUER NOT COOPERATING'

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-Oct-2019	Cash Credit	Long Term	40.00	ACUITE BBB+ Issuer non-cooperating
	Cash Credit	Long Term	20.25	ACUITE BBB+ Issuer non-cooperating
	Cash Credit	Long Term	5.00	ACUITE BBB+ Issuer non-cooperating
	Cash Credit	Long Term	24.75	ACUITE BBB+ Issuer non-cooperating
	Letter of credit	Short Term	23.00	ACUITE A2 Issuer non-cooperating
	Letter of credit	Short Term	4.00	ACUITE A2 Issuer non-cooperating
	Letter of credit	Short Term	4.00	ACUITE A2 Issuer non-cooperating
	Letter of credit	Short Term	9.00	ACUITE A2 Issuer non-cooperating
	Bank Guarantee	Short Term	122.00	ACUITE A2 Issuer non-cooperating
	Bank Guarantee	Short Term	18.75	ACUITE A2 Issuer non-cooperating
	Bank Guarantee	Short Term	23.25	ACUITE A2 Issuer non-cooperating
	Bank Guarantee	Short Term	38.00	ACUITE A2 Issuer non-cooperating
	Cash Credit	Long Term	40.00	ACUITE BBB+/Stable (Assigned)
	Cash Credit	Long Term	20.25	ACUITE BBB+/Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB+/Stable

22-Aug-2018				(Assigned)
	Cash Credit	Long Term	24.75	ACUITE BBB+/Stable (Assigned)
	Letter of credit	Short Term	23.00	ACUITE A2 (Assigned)
	Letter of credit	Short Term	4.00	ACUITE A2 (Assigned)
	Letter of credit	Short Term	4.00	ACUITE A2 (Assigned)
	Letter of credit	Short Term	9.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	122.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	18.75	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	23.25	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	38.00	ACUITE A2 (Assigned)

***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	40.00	ACUITE BBB+/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.25	ACUITE BBB+/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB+/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.75	ACUITE BBB+/Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A2 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A2 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A2 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A2 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	122.00	ACUITE A2 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	18.75	ACUITE A2 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	23.25	ACUITE A2 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	38.00	ACUITE A2 (Reaffirmed)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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