

SBEE Cables (India) Limited

February 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	55.00	CARE BBB; Stable	Reaffirmed
Short-term bank facilities	15.00	CARE A3+	Reaffirmed
Long-term bank facilities	-	-	Withdrawn@

Details of instruments/facilities in Annexure-1.

@ Rating has been withdrawn as the company has not availed the proposed limits.

Rationale and key rating drivers

The ratings of the bank facilities of SBEE Cables (India) Limited (SCIL) continue to derive strength from the experienced promoters, established track record of operations of the company, diversified and reputed clientele and comfortable capital structure. The company maintains adequate liquidity and has minimal reliance on external debt due to funding support from the promoters. The rating strengths are partially offset by the susceptibility of operating margins to volatility in the raw material prices, moderate operating cycle and highly competitive and fragmented nature of industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the scale of operations beyond ₹300 crore with PBILDT margin above 13% or return on capital employed (ROCE) above 10% on a sustained basis.

Negative factors

- Any debt-funded capex resulting in overall gearing beyond 1.00x.
- Increase in the operating cycle beyond 150 days.
- Withdrawal of unsecured loans by the promoters impacting the liquidity profile of company.

Analytical approach: Standalone

Key strengths

Comfortable capital structure

SCIL has historically maintained healthy capital structure with minimal reliance on external borrowings. Overall gearing of the company remains comfortable at 0.27x as on March 31, 2022 (0.17x as on March 31, 2021) with nil term debt liability though moderated due to utilisation of fund-based working capital limits by the company as against Nil utilisation as of March 31, 2021. The company has also received funding support from the promoters in the form of equity as well as unsecured loans. The unsecured loans stood at ₹60.49 crore as on November 30, 2022, of which ₹35.31 crore continues to be subordinated to the bank. SCIL has set up a new facility at Harohalli Industrial Area, Bangalore, and the company is in the process of shifting from its existing manufacturing facility (which was set up in 1980) to the new facility, as the same is a green zone.

Diversified and reputed clientele

SCIL's client base is broadly classified into three segments, viz., tendered customers, original equipment manufacturers (OEMs) and contract basis. The company has a well-diversified and reputed customer base of more than 300 clients, including Bangalore Electricity Supply Company Limited (BESCOM), Kerala State Electricity Board, Alstom Transport India Limited, etc. The top five customers contributed to about 43% in FY22 (refers to the period April 1 to March 31) and about 46% in 8MFY23. The company's ability to maintain strong relationship with the existing customers by timely delivery of the orders and optimally utilise the installed capacity are the key rating sensitivities.

Moderate operating cycle

The company's working capital cycle improved to 83 days in FY22 compared with 131 days in FY21 due to lower collection days compared to past years and moderate inventory maintained. The inventory holding period decreased to 62 days from 83 days, respectively, in FY22. The raw material procurements by the company are usually on spot payments or usance of 15 days leading to working capital intensive operations. The current ratio of the company is moderate at 1.77x as on March 31, 2022 (CR: 4.08x

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

as on March 31, 2021). The average month-end working capital utilisation remained comfortable at around 37% for 12 months ended November 30, 2022.

Experienced promoters and established track record

The managing director of the company, S Bhawarlal, has been managing operations of the company since incorporation in 1978 and commands significant industry experience. He is also supported by well-experienced management. Other directors of the company – Dilip Kumar B, Kishore Kumar B, Santosh Mehra (looking after Finance) are actively involved in the company operations and command experience of more than three decades in various industries. SCIL and its promoters have been operating in the cable and lighting industry for more than three decades. Over the years, the company has developed good market image for its products and enjoys long-term relations with most of its clients. SCIL is a pre-qualified supplier (by virtue of having received various product certificates, such as UL certificate (Underwriters Laboratories Inc.), CE certificate, etc. for safety standards and adherence to product specifications) for various Project Management Consultants, Government and Quasi Government Departments (mainly state power utilities), Defence Organizations, ISRO, Railways, National Highway Authority of India, OEMs, etc.

Key weaknesses

Continuing moderate scale of operations

The total operating income (TOI) of the company has improved by around 64% to ₹176.8 crore in FY22 compared with ₹107.9 crore in FY21 on account of increase in the orders from the existing customers. However, the scale of operations has not seen significant improvement for past few years. The company has been in operations of wires and cables for more than three decades; however, its revenue has been ranging between ₹130 crore and ₹180 crore for past few years, and its margins have remained stable.

Susceptibility of operating margins to volatility in raw material prices

Major raw materials for SCIL are copper, aluminium and PVC (crude based), which constitutes major cost of sales. SCIL imports about 50% of its raw material requirement from Malaysia, Singapore and UAE, while the balance is procured domestically. As such, the company's profitability is exposed to the volatility in commodity prices as well as foreign exchange rates with no hedging policy in place. In order to contain the risk, the company sources majority of its raw materials based on the existing order book position while keeping inventory of about a month in hand. Additionally, the product pricing is adjusted to raw material cost with 15 days or 30 days lag, which curtails the volatility to an extent. In case of long-term government contracts, SCIL enters into a price variation clause to protect its profitability.

Highly competitive and fragmented cable industry

Wires and cables market in the world and India are highly fragmented, with the presence of many small and medium enterprises. Over a period, the industry has moved from the unorganised to organised sector. However, about 30-35% of this industry is still in the unorganised sector. The wire and cable industry are highly competitive with large players like Havells India Limited & Anchor Electricals Pvt Ltd. Also, there are several small players operating in the industry with lower entry barriers. A competitive market restricts the company's pricing flexibility and puts a strain on its profitability. SBEE Cables' business profile will remain susceptible to intense industry competition.

Liquidity: Adequate

The liquidity is adequate marked by sufficient cash accruals generation and consistent prepayment of debt by the company. Also, the average month-end working capital utilisation remained at just around 37% for 12 months ended November 30, 2022. Consistent infusion of unsecured loans by the promoters have also aided the liquidity position. The cash and cash equivalents stood at ₹3.25 crore as on November 30, 2022.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company

Incorporated in October 1978, SBEE Cables India Limited (SCIL) was earlier engaged in the manufacturing of components for lighting industry by the name of Mahadev Vidyut Udyog Pvt Ltd. In 1995, the company switched to manufacturing of Low Tension (LT) wires & cables and was rechristened to its current name in 2004. As on March 2022, the company has installed capacity of around 300 lakh metres pa for polyvinyl chloride (PVC) wires (Copper) and around 15 lakh metres pa of Aluminium wires at its manufacturing facility in Bangalore. The company's product portfolio includes various high-quality cables, such as fire-resistant flexible cables, aerial bunched cables, PVC-insulated heavy duty aluminium power cables, copper control armoured and unarmoured cables, submersible cables, etc.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	November 30, 2022 (Prov)
Total operating income	107.86	176.80	106.56
PBILDT	11.28	18.15	7.57
PAT	-0.85	2.50	0.92
Overall gearing (times)	0.17	0.27	NA
Interest coverage (times)	3.36	3.89	NA

A: Audited; Prov: Provisional; NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit	-	-	-	-	55.00	CARE BBB; Stable
Fund-based - LT-Term loan	-	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank guarantee	-	-	-	-	15.00	CARE A3+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash credit	LT	55.00	CARE BBB; Stable	-	1)CARE BBB; Stable (31-Mar-22) 2)CARE BBB; Stable (05-Apr-21)	-	1)CARE BBB; Stable (28-Jan-20)
2	Non-fund-based - ST-Bank guarantee	ST	15.00	CARE A3+	-	1)CARE A3+ (31-Mar-22) 2)CARE A3+ (05-Apr-21)	-	1)CARE A3+ (28-Jan-20)
3	Fund-based - LT-Term loan	LT	-	-	-	1)CARE BBB; Stable (31-Mar-22) 2)CARE BBB; Stable (05-Apr-21)	-	1)CARE BBB; Stable (28-Jan-20)

*Long term

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument – Cash Credit & Bank Guarantee	Detailed Explanation
A. Financial covenants	Nil
B. Non-financial covenants	<ul style="list-style-type: none"> An undertaking to be obtained from the borrower that it will maintain the level of unsecured loans estimated and projected if any at the time of sanction throughout the currency of the bank's dues. The applicant /borrower should not make any drastic change in their management team without bank's permission. Fund-based limits both in WC and TL, should be regulated through an escrow mechanism as agreed among bankers to avoid any kind of diversion of funds.

Annexure-4: Complexity level of the various instruments rated.

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT-Term loan	Simple
3	Non-fund-based - ST-Bank guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us**Media contact**

Name: Mradul Mishra

Phone: +91-22-6754 3596

E-mail: mradul.mishra@careedge.in**Analyst contact**

Name: Himanshu Jain

Phone: 8123793395

E-mail: himanshu.jain@careedge.in**Relationship contact**

Name: Pradeep Kumar V

Phone: +91-98407 54521

E-mail: pradeep.kumar@careedge.in**About us:**

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For the detailed Rationale Report and subscription information, please visit www.careedge.in