

## SBEE Cables (India) Limited

April 03, 2025

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

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of SBEE Cables (India) Limited (SCIL) continue to derive strength from its experienced promoters, established track record of operations and diversified and reputed clientele. Ratings consider historically maintained healthy capital structure and adequate funding support from promoters in timely manner. The company has modest scale of operations; albeit improvement witnessed in FY24(A) and 9MFY25 (UA), despite having years of experience. The revenues improved in FY24 and YTD FY25 on back of receipt of couple of large orders and addition of new customers, though its sustenance remains to be seen. SCIL has also added new product line of 11-KV and 33-KV transmission cables in its product offerings. Although the company maintains adequate liquidity position with minimal reliance on external debt, there has been near full utilisation of working capital (WC) limits in recent months. Timely collection of receivables would be key to company's credit profile.

These rating strengths are partially offset by the susceptibility of operating margins to volatility in the raw material prices although, most large orders received by the company are covered with price variation clause that insulates the margins to some extent, low return on capital employed (ROCE) levels, elongated operating cycle and highly competitive and fragmented industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in the scale of operations beyond ₹300 crore with profit before interest, lease, depreciation, and taxes (PBILDT) margin above 12% or ROCE above 10% on a sustained basis.

#### Negative factors

- Any Debt-funded capex resulting in overall gearing beyond 1x or interest coverage ratio (ICR) falling below 3x.
- Withdrawal of unsecured loans by the promoters impacting the company's liquidity profile.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation of the company being able to maintain its improving scale of operations on back of availability of adequate capacity and addition of new customers in portfolio.

### Detailed description of key rating drivers:

#### Key strengths

##### Satisfactory capital structure with adequate funding support from promoters

SCIL has historically maintained healthy capital structure with low reliance on working capital borrowings and nil term debt. The company's overall gearing stood at 0.45x as on March 31, 2024, compared to 0.36x as on March 31, 2023, on account of slight increase in working capital utilisation backed by orders from existing customers and addition of new clients. Total outside liability to total net worth (TOL/TNW) stood at 0.90x as on March 31, 2024 (PY: 0.51X). The company has also received funding support from the promoters in the form of equity and unsecured loans. Unsecured loans stood at ₹68.40 crore as on March 31, 2024, of which ₹35.31 crore continues to be subordinated to the bank.

##### Moderate scale of operations, however, improving trend

The company's total operating income (TOI) has grown by 61.47% to ₹261.34 crore in FY24 compared to 161.85 crore in FY23. Further, during the current year backed by healthy orders, the company has done sales of ₹260.93 crore as on December 31, 2024, almost equal to full year FY24 revenue, led by improved orders from the existing customers. The company aims to achieve

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

revenue of over ₹300 crore in FY25. The company was earlier manufacturing wires of 1.1 KV or lesser capacity but has forayed in 11KV and 33KV segment since FY24.

### **Diversified and reputed clientele**

SCIL's client base is broadly classified in three segments, including tendered customers, original equipment manufacturers (OEMs), and contract basis. The company has a well-diversified and reputed customer base including BESCO, Kerala State Electricity Board, Blue star limited, Linxon India Private Limited and Lineage Power Private Limited among others. The top five customers contributed to ~50% (PY: 36%) of sales in FY24. The company's ability to acquire new clients and maintain strong relationship with existing customers by timely delivery of orders and optimally utilise the installed capacity are the key rating sensitivities.

### **Experienced promoters and management with established track record**

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

### **Key weaknesses**

#### **Susceptibility of operating margins to volatility in raw material prices**

Major raw materials for SCIL are copper, aluminium and PVC (crude based), constituting ~90% of the total cost of sales in FY24 (PY: ~89%). SCIL imports ~50% raw material requirement from Malaysia, Singapore, and UAE while balance is procured domestically. Domestically, SCIL procures copper from Toyota Tsusho Asia Pacific Private Limited, Vedanta Limited, Bharat Aluminium Company Limited, Agrawal Metal Work Private Limited and Savli Copper Products Private Limited among others. The company's profitability is exposed to volatility in commodity prices and foreign exchange rates with no hedging policy. To contain the risk, the company sources majority raw materials based on the existing order book position while keeping inventory of about a month in hand. 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 a price variation clause to protect its profitability.

#### **Elongated operating cycle**

SCIL's working capital cycle has improved to 113 days in FY24 compared to 120 days in FY23 due to decrease in collection and inventory days. Nevertheless, The working cycle has remained at 80-130 days historically. Inventory holding period decreased to 62 days from 83 days, respectively, in FY22 which got normalised to 83 days in FY23, however, decreased again to 65 days in FY24. Raw material procurements by the company are usually on spot payments or usance of 15 days leading to working capital intensive operations. The company's current ratio improved to 3.11x as on March 31, 2024 (PY: 2.90x). The average month end working capital utilisation remained high at 80.87% for 12 months ended February 2025.

#### **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 sectors. However, significant portion of this industry is still in the unorganised sector. The wire and cable industry are highly competitive with large players such as Havells India Limited and Anchor Electricals Private Limited. There are several small players operating in the industry with lower entry barriers. A competitive market restricts the company's pricing flexibility and puts strain on its profitability. SBEE Cables' business profile will remain susceptible to intense industry competition.

#### **Liquidity: Adequate**

Liquidity is adequate marked by sufficient cash accruals generation against nil term debt repayment obligation by the company. However, the company's WC utilisation remained high for the last few months for the procurement of raw materials considering bulk orders received from existing and new customers. The average month-end working capital utilisation remained high at ~80.87% for 12 months ended February 2025. Consistent infusion of unsecured loans by promoters have also aided the liquidity position. The cash and cash equivalents stood at ₹7.42 lakhs as on December 31, 2024.

### **Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Cables - electricals

Incorporated in October 1978, SCIL was earlier engaged in manufacturing components for lighting industry by the name of Mahadev Vidyut Udyog Private Limited. In 1995, the company switched to manufacturing low tension (LT) wires and cables and was rechristened to its current name in 2004. As on March 31, 2024, the company has installed capacity of ~393 lakh metres pa for polyvinyl chloride (PVC) wires (copper) and ~11 lakh metres pa aluminium wires at its manufacturing facility in Harohalli Phase II, Kanakapura, Ramanagara, Karnataka. The company's product portfolio includes 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 and submersible cables among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	161.85	261.34	261
PBILDT	18.53	26.26	28
PAT	3.84	6.45	NA
Overall gearing (times)	0.36	0.74	NA
Interest coverage (times)	4.04	3.23	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	55.00	CARE BBB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	15.00	CARE A3+

**Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	55.00	CARE BBB; Stable	-	1)CARE BBB; Stable (05-Feb-24)	1)CARE BBB; Stable (06-Feb-23)	1)CARE BBB; Stable (31-Mar-22) 2)CARE BBB; Stable (05-Apr-21)
2	Non-fund-based - ST-Bank Guarantee	ST	15.00	CARE A3+	-	1)CARE A3+ (05-Feb-24)	1)CARE A3+ (06-Feb-23)	1)CARE A3+ (31-Mar-22) 2)CARE A3+ (05-Apr-21)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (06-Feb-23)	1)CARE BBB; Stable (31-Mar-22) 2)CARE BBB; Stable (05-Apr-21)

LT: Long term; ST: Short term;

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

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

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

## Contact us

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Saikat Roy Senior Director <b>CARE Ratings Limited</b> Phone: 912267543404 E-mail: <a href="mailto:saikat.roy@careedge.in">saikat.roy@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Karthik Raj K Director <b>CARE Ratings Limited</b> Phone: 91-80- 4662 5555 E-mail: <a href="mailto:karthik.raj@careedge.in">karthik.raj@careedge.in</a></p> <p>Manohar S Annappanavar Associate Director <b>CARE Ratings Limited</b> Phone: 91-80- 4662 5525 E-mail: <a href="mailto:manohar.annappanavar@careedge.in">manohar.annappanavar@careedge.in</a></p> <p>Saket Upadhyay Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Saket.upadhyay@careedge.in">Saket.upadhyay@careedge.in</a></p>
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