



Rating Rationale

Delton Cables Ltd

05 April 2019

Brickwork Ratings revises the long term rating, with change in outlook to Positive, and reaffirms the short term rating for the Bank Loan Facilities of ₹ 75 Crores of Delton Cables Ltd. ('DCL' or 'the Company')

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Dec 2017)	Present
Fund based Cash Credit	32.00	32.00	Long Term	BWR BB - (Pronounced as BWR Double B Minus) Outlook: Negative	BWR BB (Pronounced as BWR Double B) Outlook: Positive (Upgrade)
Non Fund Based LC BG	30.00 20.00	24.00 19.00	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) (Reaffirmed)
Total	82.00	75.00	INR Seventy Five Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Long term rating upgraded at BWR BB (Positive Outlook) and Short term rating reaffirmed at BWR A4.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company's audited financials up to FY18, key provisional results for 9MFY19, projected financials up to FY20, publicly available information, lenders feedback and clarifications provided by the Company.

The upgrade in long term rating factors in the Company's experienced management, improvement in the Company's liquidity position owing to disposal of its unviable Dharuhera unit and some non-core assets



during FY19. Substantial portion of the sale-receipts were used for supporting operational needs, working capital requirements and to clear all its statutory liabilities. This is likely to result in the tangible net worth turning positive in FY19. The Company has also projected a healthy revenue growth for FY20 considering satisfactory order book position for the current financial year. BWR also takes note of the improvement in its operational efficiency by consolidating all its units operations under one roof at Faridabad and working increased to 3 shifts in the current financial year.

The ratings are, however, constrained by deterioration in its financial & operating performance coupled with significant losses reported over the past three years, working capital intensive nature of operations, moderate scale of operations and intense competition from the peer group.

Liquidity position of the Company

DCL's liquidity position remained under stress during FY18 on account of various reasons such as slowdown in infrastructure sector coupled with intense competition, operational inefficiencies and non-release of working capital limits by one of its lenders. DCL also reported old outstanding debtors of around Rs. 14 Cr which had adversely impacted its liquidity position over the past 2-3 years. However, the management is confident of recovering its old debts within the current and the next financial years.

DCL managed to raise ~ Rs. 90 Cr by selling its non-core assets and unviable unit during FY19. This provided additional liquidity support. Now, DCL expects to generate positive cash profits for FY20 considering improvement in demand along with having satisfactory order book position as on date.

Though the promoters raised funds to improve the Company's liquidity position, it still needs to generate adequate levels of profitability margins from its operations Y-O-Y in order to reduce its dependency on promoters for infusing additional funds going forward.

Description of Key Rating Drivers

Credit Strengths:

Experienced promoters with established track record: Delton Cables Limited (DCL) is headed by Mr. V.K. Gupta who is the Chairman of the Company and has an experience of over 42 years in the cable manufacturing industry. Mr. V.K. Gupta oversees day-to-day affairs of the company and its management. He has a key role in assessing the market and is actively involved in developing the marketing network for the Company's products.

Ms. Shriya Gupta, Mr. Gupta's daughter, has joined the business as Vice President, after completion of her studies and now looking after the business development aspects of the company.

Improvement in its liquidity profile: DCL has been able to generate cash inflow of around Rs. 90 Cr by selling its unviable unit at Dharuhera and certain non-core assets during FY19. The funds generated are



being utilized for its operational needs, working capital requirements and clearing statutory liabilities. Other financial ratios such as current ratio, profitability margins and capital structure improved in FY19. DCL also able to report profit through its operations and comfortable gearing profile in FY19.

Healthy revenue visibility: DCL estimates to achieve a turnover of over Rs. 150 Cr in FY20 considering continues orders coming in from reputed various government PSU's such as Indian railways, NTPC, BHEL etc. Its total unexecuted order book position is around Rs. 40 Cr as on date which needs to be executed within two month's time period. Thus, it reflects healthy revenue visibility for FY20.

Improvement in its operational efficiencies: After consolidating its all units under one roof at Faridabad, DCL has managed to cut down its operational expenditures such as salary, power & fuel, other admin expenses etc. This improved operational efficiencies and resulted in annual savings of around Rs. 2.00 Cr from FY18.

Credit Risks:

Deterioration in its financial risk and operational performance: Due to competition and other operational issues, the Company's financial performance declined significantly in FY17 & FY18. The Company also reported net losses over the past two years which resulted in negative net working capital and deterioration in financial ratios and gearing profile. However, the promoters infused significant amount of funds during FY19 and thus are optimistic about achieving its estimated turnover & profitability figures along with improvement in other financial ratios over the medium term.

Working capital intensive nature of its operations: The Company continues to report elongated cash conversion cycle owing to high receivables and inventory levels reported over the past two years. The Company has reported old debtors of around Rs. 14 Cr which adversely impacted its liquidity position during FY17 & FY18. However, the management has appointed external agency and confident of realising pending old debtors within the current and the next financial year.

Intense Competition: DCL continues to face intense competition from other large cable manufacturing players in the market. DCL is also exposed to cyclical in its end-user industry mainly infrastructure sector, as its demand-supply mechanism would directly affect the Company's revenue growth and profitability.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Positive*



BWR changes its outlook from ‘Negative’ to ‘Positive’ considering improvement in its overall financial performance post infusion of promoters funds. The rating outlook continues to remain 'Positive' if the revenues and profit show sustained improvement and able to improve its working capital cycle significantly over the medium term. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Delton Cables Limited (DCL), incorporated in 1964 by Lt. Sh. R.K. Gupta as a private limited company and later, was converted into a public limited in 1981. DCL is listed on the Bombay Stock Exchange. It is engaged in the manufacturing of wires and cables, power cables, radio high frequency cables & PVC compound. Recently, it has started manufacturing switch gears. It sells products under its own brand name - ‘DELTON’.

Company Financial Performance

DCL has reported a total turnover of Rs. 74.47 Cr in FY18 as against Rs. 107.15 Cr in FY17. It has reported a net loss of Rs. 13.10 Cr in FY18 as against a net loss of Rs. 7.13 in FY17.

Other key financial indicators is updated in below said table:

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Rs. Cr	74.47	107.15
EBITDA	Rs. Cr	-3.45	1.66
PAT	Rs. Cr	-13.10	-7.13
Tangible Net worth	Rs. Cr	-0.97	12.39
Total Debt/Tangible Net worth	Times	-71.80	5.22
ISCR	Times	-0.29	0.19

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	12 Dec 2017	18 Oct 2016	2015
	Fund Based Cash Credit	Long Term	32.00	BWR BB (BWR Double B) (Positive Outlook) (Upgrade)	BWR BB - (BWR Double B Minus) (Negative Outlook) (Reaffirmed)	BWR BB - (BWR Double B Minus) (Negative Outlook)	N.A.
	Non Fund Based LC BG	Short Term	24.00 19.00	BWR A4 (BWR A Four) (Reaffirmed)	BWR A4 (BWR A Four) (Reaffirmed)	BWR A4 (BWR A Four)	N.A.
	Total		75.00	₹ Seventy Five Crores Only			

Status of non-cooperation with previous CRA- N.A.
Any other information: Nil

Annexure I - Instrument/Bank Facility Details

ISIN	Instrument/Facility	Date of Sanction/Renewal	Coupon Rate	Maturity Date	Amt. in Rs. Cr	Current Rating & Outlook
-	Fund Based Cash Credit	-	11.80% p.a.	-	19.20	BWR BB (Positive)
-	Cash Credit	-	14.00% p.a.	-	6.40	BWR BB (Positive)
	Cash Credit		12.97% p.a.	-	6.40	BWR BB (Positive)
-	Non Fund Based BG/LC	-	-	-	30.00	BWR A4
-	BG/LC	-	-	-	10.00	BWR A4
-	BG/LC	-	-	-	3.00	BWR A4



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<p><i>Ashwini Mital</i> <i>Director-Ratings</i></p> <p>analyst@brickworkratings.com</p>	<p>media@brickworkratings.com</p>
	Relationship Contact
	<p>bd@brickworkratings.com</p>
<p>Phone: 1-860-425-2742</p>	

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the



Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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