

# Cords Cable Industries

**Rs 46**
*A specialized cable company*

Sensex: 49,035

Nifty: 14,434

## FINANCIALS SUMMARY

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST (NET)	PBDT	DEP.	PBT	TAX	PAT	PPA	PAT AFTER PPA	EPS (Rs)*
1903 (12)	416.75	9.4	39.18	1.75	40.94	23.93	17.01	5.67	11.34	3.99	7.35	0	7.35	5.7
2003 (12)	420.89	9.9	41.56	1.52	43.08	25.62	17.46	6.61	10.85	0.18	10.67	0	10.67	8.3
2103(12P)&	359.8	10.5	37.68	1.55	39.23	23.85	15.38	7.3	8.08	2.12	5.96	0	5.96	4.6
2203(12P)	431.76	10.7	46.2	1.68	47.88	26.47	21.41	8.18	13.24	3.44	9.8	0	9.8	7.6

\* On current equity of Rs 12.93 crore; Face value Rs 10 each. Figures in Rs crore. (P): Projections  
Source: Capitaline Database

Cords Cable Industries (CCIL) is manufacturer of specialized cables for multiple industries. CCIL manufactures instrumentation & control cables as well as power cables that find application across industries viz, power, oil & gas, hydrocarbons, fertilizers, metal & cement, fertilizers, airports, railways, metro rail, smart cities amongst others.

The company's state of the art manufacturing plants are located in the state of Rajasthan at 2 locations. Current capacity of the company is 65000 Kms per annum spread across two manufacturing facilities in Bhiwadi, Rajasthan. While the capacity of Kaharani plant, which was set up in 2011 was 35000 Kms that of Chopanki that was set up in 2002 was 30000 Kms.

### Wide product portfolio & Diversified and reputed clientele base

CCIL designs, develops and manufactures a varied range of power, control, instrumentation, thermocouple extension / compensating and communication cables.

Since the start of manufacturing operations in 1991 the company has expanded its product portfolio. Currently its product range includes instrumentation cables, control cables (upto 1.10 KV) and low tension (LT) power cables (upto 1.10 KV). Currently about 76% of the company's cable comprises of instrumentation & control cables and balance 24% comprises of power cables.

Over three decades of market presence CCIL enjoys a strong brand image in the B2B segment. CCIL has carved a niche in manufacturing of customized cables as per the customer's specifications. 95% of the company's orders are based on customer specifications.

The clientele of the company is diverse and across sectors including hydrocarbons, automobile, cement, power, freight corridors. In domestic market some of the key clients are Larsen & Toubro, BHEL, Bombardier, Delhi Metro, Engineers India, GE, Alstom, ABB, ONGC, Cairn, Alstom Transportation etc. CCIL has a low customer concentration risk as the top 5 customers contributed around 24% (PY: 33%) of net sales in FY20.

In FY20 about 69% (54% in FY19) of the revenue came from Hydrocarbon sector with contribution from metro/railways stand at 5% (down from 11% in FY19) and that of power at 6% (down from 19% in FY19).



## STOCK DATA

BSE Code	:	532941
BSE Group	:	B
NSE Code	:	CORDSCABLE
Bloomberg	:	CORD@IN
Reuters	:	CCIL.BO
Par Value	:	Rs 10
52-week High/Low	:	Rs 58 / Rs 22
Sector	:	Cables

## SHAREHOLDING PATTERN\*

Category	% of equity
Foreign	: 0.70
Institutions	: 0.00
Govt Holding	: 0.00
Corporate Holding	: 0.00
Promoters	: 51.65
Public & Others	: 47.66

\* as on 31/12/2020

Source: Capitaline Databases

The company that aims to be a leading global player, providing products and services, offering comprehensive solutions to the electrical, data and signal connectivity requirements of businesses as well as household users continue to focus on capturing new markets by developing customers in new and existing territories, to provide new cables for special applications like solar, marine, low temperature cables, cables for automobiles etc.

CCIL is in the business of providing cost-effective and quality solutions for various electrical connectivity requirements.

#### **Approved supplier for several PSUs/private players**

As the company is largely into customized cables segment, the client approvals are needed. CCIL is an approved supplier for several PSUs/private sector companies from oil sector and is also an approved vendor for the supply of cables to hydrocarbon refineries (under Bharat VI compliance). The company is also approved suppliers for large EPC players such as BHEL, L&T, EIL, Thermax etc. as well as equipment/product suppliers.

The company is approved vendor for RDSO under Ministry of Railways of GOI for underground railway jelly filled quad cable for signaling and telecom installation for railway network of IR including that of DFC, Metro projects etc. Similarly the company is also a qualified supplier with Airport Authority of India for instrumentation cables, co-axial cables, OFCs, cat-6 cables, control cables and power cables upto 1.1 KV.

Likewise the company is also approved vendor for Abu Dhabi National Oil Company for instrumentation & control cables, OFC, LV power distribution cable and with Samsung Engineering Company for Instrument, Control, Thermocouple, FF and Fire Survival cables.

#### **Order book stay healthy despite pandemic disruption**

Order book of the company as end of Nov 25, 2020 was Rs 132 crore (Hydro Carbon 71.7%, power 13%, railways including metro 5.6%, fertilizer 5.1%), which is executable over next 3-5 months. The order book in last year (as of Sep 30, 2019) was Rs 148 crore (hydro carbon 64.4%, power 16.3%, railways including metro 5.1%, cement& metals 7.5%).

Short execution cycle of its order book provides near term revenue visibility.

#### **Share of organized players is gradually increasing**

The cables & wires (C&W) industry grew by a whopping 23% CAGR in volume between FY 2013-14 and FY 2017-18 to touch 14.5 million kms. In terms of sales value, it recorded 11% CAGR over the same period. The market size of C&W industry is expected to grow by 15% CAGR from Rs 52500 crore in FY18 to Rs 103300 crore in FY23. The factors behind the cable industry growth in the industry has been and will be due to the huge growth in infrastructure by the government majorly led by investments in smart cities, railways, metro railways, airport modernization, power sector and hydrocarbon sector etc.

The cables & wires (C&W) industry is gradually moving from a largely unorganized market to an organized market, led by growing technological and product niche coupled with increased marketing and branding activities by leading manufacturers. The cables and wires industry in India have seen many

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In domestic market some of the key clients are Larsen & Toubro, BHEL, Bombardier, Delhi Metro, Engineers India, GE, Alstom, ABB, ONGC, Cairn, Alstom Transportation etc

improvements in the last decade. It has grown from a small industry to a substantially large one during this period. Share of organized players is further expected to increase to 74% in FY23 from 66% in FY18 and 61% in FY14.

#### **Performance expected to improve in H2FY21 as Covid-19 pandemic impacts starts receding**

Cords cable Industries net sales fell 17% to Rs 83.41 crore in Q2FY21 compared to Q2FY20. The company operating margins decreased 70 bps to 10.6% leading to 22% decrease in operating profits to Rs 8.85 crore. Other income increased to Rs 30 lakh compared to Rs 27 lakh. Interest cost was down 8% to Rs 5.75 crore. Depreciation rose 20% to Rs 1.9 crore. PBT was down 61% to Rs 1.5 crore. Tax expense was down 68% to Rs 50 lakh compared to Rs 1.58 crore. PAT reported was down 55% to Rs 1 crore.

For half year ended Sep20, net sales fell 37% to Rs 132.41 crore. The company operating margins increased 60 bps to 10.6%. As a result operating profits fell 34% to Rs 14.03 crore. Other income fell 1% to Rs 80 lakh. Interest cost was down 21% to Rs 9.51 crore. Depreciation rose 3% to Rs 3.54 crore. PBT was down 72% to Rs 1.78 crore. Tax expense was down 74% to Rs 66 lakh compared to Rs 2.57 crore. PAT reported was down 71% to Rs 1.12 crore.

#### **Outlook**

The demand for the products of the company will see traction with increase in investment towards modernisation and expansion of capacity across various industries. Considering strong client list of the company in oil & gas sector both domestically as well as internationally, the company will be the beneficiary of modernization and expansion of capacity in hydro carbon sector. Cables are an integral part of the railway infrastructure for current supply, control tasks, data transmission etc. and with strong investment under execution and pipeline such as Dedicated Freight Corridors both West and East, expansion of railway network including doubling of lines as well as construction of metro networks in various large cities of the country offers immense opportunities for the company.

Electricity demand in the country has increased rapidly and is expected to rise further in the years to come with increased per-capita consumption of power as industrial growth. In order to meet the increasing demand for electricity in the country, massive addition to the installed generating capacity including conventional and renewables is required and that will drive demand for cables on sustained basis. Specialized Cables used for developing airport infrastructure stands to gain immensely from the growth of air travel industry and related capacity creation.

With gradual easing of lockdown, all the manufacturing facilities are operating smoothly under strict social distancing measures presently. Although, the capacity utilization of the company ramped up strongly in Q2FY21 as compared to Q1FY21, but when compared to corresponding previous quarter, it was still marginally lower impacting the profitability. The capacity utilization in Q2FY21 was about 57% impacted partly by COVID norms. But the facilities are ramping up rapidly and expected to reach Pre-COVID levels very soon.

Raw material cost though constitute about over 85% of Sales (86.2% of the total cost of sales during FY20) and the company is able to pass on the fluctuation in key raw material price to customers as its contracts have some linkage to LME

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Order book of the company as end of Nov 25, 2020 was Rs 132 crore (Hydro Carbon 71.7%, power 13%, railways including metro 5.6%, fertilizer 5.1%), which is executable over next 3-5 months

prices for copper etc. This was reflected in stable EBITDA margin between 9.4-10.3% in the last five fiscal.

Overall the company is the major beneficiary of investment in modernization and fresh capacity creation in both industrial and infrastructure segment of the country. Restart of execution of projects already awarded and put on hold due to COVID and fresh orders post COVID is expected to provide demand traction for products of the company and order inflow. Moreover the recent initiative of the country to offer production linked incentive to 10 sectors under Athmanirbhar Bharat programme is expected to drive demand for the products of the company and result in better capacity utilization and operating leverage going forward.

### Valuation

We expect the company to register EPS of Rs 4.6 for FY21 and Rs 7.6 for FY22. At current market price of Rs 46, the scrip trades at about 6 times of its expected FY22 EPS.

The cables & wires (C&W) industry is gradually moving from a largely unorganized market to an organized market, led by growing technological and product niche coupled with increased marketing and branding activities by leading manufacturers

## CORDS CABLE INDUSTRIES: RESULTS

PARTICULARS	2009 (3)	1909 (3)	VAR. (%)	2009 (06)	1909 (06)	VAR. (%)	2003 (12)	1903 (12)	VAR. (%)
Sales	83.41	100.37	-17	132.41	210.34	-37	420.89	416.75	1
OPM (%)	10.6	11.3		10.6	10.0		9.9	9.4	
OP	8.85	11.34	-22	14.03	21.11	-34	41.56	39.18	6
Other inc.	0.30	0.27	7	0.80	0.81	-1	1.52	1.75	-13
PBIDT	9.15	11.61	-21	14.83	21.91	-32	43.08	40.94	5
Interest	5.75	6.23	-8	9.51	12.09	-21	25.62	23.93	7
PBDT	3.40	5.39	-37	5.33	9.82	-46	17.46	17.01	3
Dep.	1.90	1.58	20	3.54	3.43	3	6.61	5.67	17
PBT	1.50	3.81	-61	1.78	6.39	-72	10.85	11.34	-4
Total Tax	0.50	1.58	-68	0.66	2.57	-74	0.18	3.99	-96
PAT	1.00	2.23	-55	1.12	3.82	-71	10.67	7.35	45
EPS (Rs) *	#	#		#	#		8.3	5.7	

\* On current equity of Rs 12.93 crore; Face value Rs 10 each. #EPS cannot be annualized due to seasonality in business. Var (%) exceeding 999 is restricted to 999.

Figures in Rs crore, PL: Profit to Loss, LP: Loss to Profit

Source: Capitaline Corporate Database