

## Cables - Electricals

Industry Code (as per CMIE Prowess): 0101014005010000'

June 2022

**Overall Industry Risk Score: 11/20 | Marginally Favourable**

Sample Size: 23 Companies

Median Rating Value of sample size: BBB+

### Individual Parameters Contributing to the Score

#### Demand & Supply Balance



8/20

Moderate Over Supply

The slowdown in the capex plans of user sectors i.e power, infrastructure, telecom etc had been impacting the demand for wires and cables which was further exacerbated by the pandemic during FY21. As per CMIE data, in FY22, the production of Fibre Optic cables increased to 22,321 Kms (Previous Year 10,983 Kms) and PVC Insulated cables increased to 4,709 core Kms (Previous Year 4,567 core Kms). The industry sales reported y-o-y 35% increase to Rs.129.2 billion in March 2022 quarter as against Rs.93.8 billion in March 2021 quarter. The demand revival is linked to offtake from user sectors which has improved gradually in the current year & is expected to increase furthermore in the near to medium term.

#### Extent of Competition



8/20

Fragmented Industry

Since the sector is fragmented and the orders are against tenders the competition is relatively high. However, the operating margins have been steady for the larger players.

## Regulatory Risk



16/20

### Stable Regulatory environment

The priority given by government on infrastructure development in power, railways, roads, metro and housing will improve demand for power cables and wires over the medium term. The indigenisation agenda to reduce imports from countries such as China will also support the local industry.

## Input Related Risk



12/20

### Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

Commodity prices i.e. prices of copper and aluminium are volatile and there has been a steady uptick in their trajectory over the last 12 months. However, this doesn't have a major impact on operating margins as the input prices are mostly taken as a pass through in the tenders.