

March 18, 2025

## Lapp India Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term fund based/non-fund based - Working capital facilities	70.00	70.00	[ICRA]A (Stable)/[ICRA]A2+; reaffirmed
Fund based - Long term loan	26.00	26.00	[ICRA]A (Stable); reaffirmed
<b>Total</b>	<b>96.00</b>	<b>96.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The reaffirmation of the ratings continues to draw comfort from the established presence and long track record of operations of Lapp India Private Limited (LIPL) in the cable manufacturing industry, with focus on the instrumentation and building cables segment, and a diversified and reputed client base. ICRA notes that LIPL benefits from being a part of the Lapp Group, which has a worldwide presence in the cables industry in terms of technical and strategic guidance.

The ratings further positively note the company's favourable capital structure with a gearing of 0.2 times and strong debt protection metrics, with interest coverage ratio of 17.0 times and total debt/OPBDITA of 0.7 times for FY2024. Further, the liquidity profile of the company remains healthy with available cash balances of Rs. 55.3 crore as on September 30, 2024 and an adequate buffer in working capital facility.

The ratings, however, remain constrained by the exposure of the company's profitability to the volatility in raw material prices (primarily copper) and the lag in passing on the same to customers. However, it is mitigated to a certain extent by the presence of a partial price fluctuation clause in some contracts.

The ratings are also constrained by the inherent pricing pressure in the cables industry owing to intense competition, though this is mitigated partly by the presence of LIPL in the niche non-retail segments. Further, ICRA notes that the company is embarking upon a sizeable debt-funded capex programme to expand its compounding facilities and to set up an e-beam facility. While this is likely to impact the debt metrics in the near term, they are likely to remain comfortable. Nevertheless, the revenue and profit expansion due to this capex is likely to show results FY2026 onwards.

The Stable outlook assigned to the company factors in LIPL's steady revenue growth, established track record of operations, a strong financial risk profile and a diversified customer and product profile.

### Key rating drivers and their description

#### Credit strengths

**Established presence and long track record in cable manufacturing** – LIPL is a part of the Lapp Group of companies, which has over six decades of experience in the cable manufacturing business with presence in over 15 locations across the world. LIPL has benefitted from the association through technological know-how and financial support in terms of access to low-cost long-term debt from the parent entity.

**Diversified and reputed customer base** - LIPL has a wide sectoral and geographical diversification and caters majorly to mechanical and plant engineering, while the other important markets are the food and the energy sectors. LIPL is an approved

vendor for a large number of corporates. The clients of the company include Mars International India Private Limited, Hindalco Industries Limited, Reliance Industries Limited, Larsen & Toubro Limited and Micron Electricals.

**Improvement in scale and cash accruals** – The company witnessed a YoY revenue growth of 25% in FY2024, driven by an increase in sales volumes. The company currently has an order book of Rs. 230.0 crore, which provides near-term revenue visibility. Moreover, fresh capacity addition in the recent past and the planned expansion in FY2025 to tap the growing business segments like railways, renewables and e-mobility will support growth, going forward. ICRA expects the company's volume to grow 12-13% YoY per annum over FY2025-FY2027, driven by healthy demand prospects and a likely capacity expansion over the near term. The operating margins are also expected to remain at similar levels.

**Strong financial risk profile** – The debt profile of the company has been largely limited to working capital facilities in the last few years. The company's capital structure remains healthy with a strong net worth base of Rs. 368 crore and a gearing of 0.2 times. The debt protection metrics remain comfortable with an interest coverage ratio of 17 times, total debt/OPBDITA of 0.7 times and NCA/total debt of 108% as on September 30, 2024. ICRA notes that the company is in the process of undertaking a sizeable debt-funded capex, which might impact the debt metrics in the near term, although the same will continue to be comfortable.

### Credit challenges

**High competitive intensity** – The cable industry is inherently competitive with the presence of multiple large established players such as Polycab India Limited, RR Kabel Limited and KEI Industries, in addition to some competition from the unorganised sector. This limits Lapp's pricing power and constrains the margins.

**Exposure to raw material price fluctuation risks** – The company's profitability metrics remain exposed to the fluctuation in the prices of the key raw material - copper - and the associated lag in passing on the same to the customers. The company is mitigating the risk by inserting a partial price fluctuating clause in the contracts with the customers. Also, the competitive intensity in the cables industry puts pressure on the company's margins. Hence, a timely pass-through of the fluctuations in raw material prices to customers remains the key for LIPL's performance.

**Vulnerability of profitability to movement in foreign exchange rates** – LIPL imports around 40% of its raw material (copper) requirements and, hence, the profitability remains exposed to the fluctuations in foreign exchange. While the company hedges at least 50% of its exposure during a given time, it remains exposed to forex fluctuations for the balance portion. Nonetheless, the company is focused on increasing the share of procurement from domestic sources, which will lower the forex risk and inventory holding period.

### Liquidity position: Adequate

The company had free cash and bank balance of Rs. 55.3 crore as on September 30th, 2024. The average utilisation has remained moderate at 66% for the past 11 months ended January 2025. The cash generation remains sufficient against a repayment obligation of Rs. 5.2 crore. Moreover, the company is undertaking sizeable capex which is likely to result in debt addition.

### Rating sensitivities

**Positive factors** – The ratings could be revised upwards if the company demonstrates a sustained growth in revenues and profit margins, while maintaining adequate liquidity and healthy debt protection metrics.

**Negative factors** – Pressure on the ratings could emerge if a sustained slowdown in demand from the end-user industries erodes the scale of operations and profitability. Any large capex or a stretch in the working capital cycle that deteriorates the liquidity and credit metrics on a sustained basis will also be a trigger for downgrade. A specific credit metric for downgrade would be total debt/OPBDITA greater than 1.5 times on a sustained basis.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on LIPL's standalone financial statements.

## About the company

Lapp India Pvt. Ltd. (LIPL) is a 100% subsidiary of Lapp Holding Asia Pte Ltd, which is one of the holding companies of the Lapp Group that is into manufacturing cables, connectors, cable glands, conduits and accessories. LIPL started operations in Bangalore in 1996 with a manufacturing unit; a second manufacturing unit was set up in Bhopal in 2014. LIPL has the third-largest manufacturing facility within the Lapp Group. LIPL operates through a trained regional marketing organisation with presence in Delhi, Kolkata, Mumbai, Pune, Bengaluru and Chennai, with 23 sales offices and a strong network of dealers throughout the country.

## Key financial indicators (audited)

LIPL (standalone)	FY2023	FY2024	4M FY2025*
Operating income	1,060.4	1,321.2	489.2
PAT	56.5	72.8	14.7
OPBDIT/OI	8.3%	7.7%	6.2%
PAT/OI	5.3%	5.5%	3.0%
Total outside liabilities/Tangible net worth (times)	0.6	0.6	0.6
Total debt/OPBDIT (times)	0.8	0.7	0.9
Interest coverage (times)	14.0	17.0	15.0

Source: Company, ICRA Research; \* Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

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

## Any other information: None

## Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 18,2025	Date	Rating	Date	Rating	Date	Rating
Fund based/Non-fund based facilities	Long term and short term	70.00	[ICRA]A (Stable) / [ICRA]A2+	Dec-14-2023	[ICRA]A (Stable)/ [ICRA] A2+	Dec-23-2022	[ICRA]A (Stable)/ [ICRA] A2+	Dec-28-2021	[ICRA]A- (Positive)/ [ICRA] A2+
Fund-based – Term loans	Long term	26.00	[ICRA]A (Stable)	Dec-14-2023	[ICRA]A (Stable)	Dec-23-2022	[ICRA]A (Stable)	Dec-28-2021	[ICRA]A- (Positive)

## Complexity level of the rated instruments

Instrument	Complexity indicator
Fund based/Non-fund based facilities	Simple
Fund-based – Term loans	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

#### Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based/Non-fund based facilities	NA	NA	NA	30.00	[ICRA]A (Stable) /[ICRA]A2+
NA	Fund-based/Non-fund based facilities	NA	NA	NA	40.00	[ICRA]A (Stable) /[ICRA]A2+
NA	Term loan	October-2021	NA	February 2027	26.00	[ICRA]A (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis – Not Applicable

## ANALYST CONTACTS

**Girishkumar Kadam**

+91 22 6114 3441

[girishkumar@icraindia.com](mailto:girishkumar@icraindia.com)

**Prashant Vasisht**

+91 124 4545322

[prashant.vasisht@icraindia.com](mailto:prashant.vasisht@icraindia.com)

**Ankit Jain**

+91 124 4545865

[ankit.jain@icraindia.com](mailto:ankit.jain@icraindia.com)

**Harshita Singh**

+91 1244545300

[harshita.singh@icraindia.com](mailto:harshita.singh@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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