



Press Release

Gupta Power Infrastructure Limited

May 21, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Term Loan	-	-	Withdrawn
Long Term Bank Facilities – Cash Credit	1040.00 (Enhanced from Rs.1010.00 crore and including proposed limit of Rs.10.00 crore)	IVR A / Stable Outlook (IVR Single A with Stable Outlook)	Reaffirmed
Short Term Bank Facilities – Bank Guarantee/Letter of Credit	2310.00 (Enhanced from Rs.2231.58 crore and including proposed limit of Rs.130.00 crore)	IVR A1 (IVR A One)	Reaffirmed
Total	3350.00		

**Nil outstanding*

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Gupta Power Infrastructure Limited (GPIL) continues to derive comfort from its experienced promoters with long & established track record, diversified revenue profile coupled with reputed and diversified clientele. The ratings also consider improvement in profitability in FY20 with comfortable gearing and debt protection metrics. Further, its satisfactory order book indicating a strong near to medium term revenue visibility and favourable industry outlook also underpin the ratings. However, these rating strengths continue to be partially offset by susceptibility of its profitability to volatile input prices, exposure to intense competition and elongated receivable cycle leading to moderate working capital intensity. The rating assigned to term loan facilities has been withdrawn as part of the said facilities was proposed and the same is yet to be sanctioned and the rest is paid off by the company.

Key Rating Sensitivities:

Upward factors

- Continuous inflow of orders with improvement in scale of operations, profitability and cash accruals by securing repeated orders from its existing set of customers through timely and successful completion of contracts on a sustained basis.



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- Improvement in the capital structure, debt protection metrics and liquidity.

Downward factors

- Deterioration in overall gearing to over 2 times.
- Moderation in the scale of operations and/or deterioration in profit margin impacting the liquidity and debt coverage indicators.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long and established track record

Incorporated in 1961 and taken over by the existing management in 1970, GPIL has a long track record of over five decades in the cables and conductor industry. The promoters are vastly experienced and associated with this industry for more than five decades. The company has consolidated its presence in this sector as one of the leading and reputed players over a period of time. Mr. Mahendra Gupta, Managing Director who have been associated with the company for more than two decades, majorly looks after the operations of the company. His son, Mr. Abhishek Gupta, an MBA from Drexel University, USA, look after the operations of the company. They are well supported by a management team comprising of highly qualified & experienced professionals.

Diversified revenue profile

The company's product portfolio comprises aluminium, aluminium-alloy, and aluminium-steel reinforced conductors, high tension and low tension power cables, control cables, instrumentation and signal cables, Ariel bunched cables, and industrial cables. Further, the company also undertakes EPC contracts for sub-stations and has been focusing on increasing its retail reach in this segment since FY16. The manufacturing operations contributes around Rs.2937.25 crore [~90.46% of its total operating income in FY20] [Rs.3073.94 crore (~87.44% of TOI) in FY19] and the EPC division contributes around Rs.309.81 crore [~9.54% of its TOI in FY20][Rs.441.52 crore (~12.56% of TOI) in FY19].

Further, the company also has a geographically diverse manufacturing base as it has three facilities located at Odisha (East India), Chennai (South India) and Kashipur (North India).

Reputed and diversified clientele

The company has various well-recognised companies, which include various government departments and large private players. The repeat orders received from its clientele



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validates its capabilities. Further, the top 10 customers of the company contributed around 41% of the annual turnover during FY20, indicating a diversified clientele profile.

Satisfactory order book indicating strong near to medium term revenue visibility

The company has a satisfactory unexecuted order book position of Rs.2452.88 crore as on March 31, 2020 (EPC division – Rs.865.95 crore and manufacturing division – Rs.1586.93 crore) which is equal to 0.76 times of its FY20 revenue. The orders for cables and conductors are expected to be executed over 6 to 12 months while the EPC orders will be executed over 1.5-2 years, indicating a satisfactory near to medium term revenue visibility.

Improvement in profit margins in FY20, albeit moderation in top line

Total operating income of the company witnessed a moderate y-o-y decline from Rs.3515.76 crore in FY19 to Rs.3247.05 crore in FY20 due to the sudden outbreak of COVID 19 pandemic and the ensuing lockdown from March 2020 onwards which resulted in decrease in EPC revenue and decline in sale of conductors since a major portion of the revenue during a fiscal year is generated during the month of March. In spite of the decline in TOI in FY20, absolute EBITDA increased from Rs.194.03 crore in FY19 to Rs.199.94 crore in FY20 resulting in increase in EBITDA margin from 5.52% in FY19 to 6.16% in FY20. The increase in EBITDA margin is on account of execution of relatively high margin contracts. Consequently, PBT and PAT margin also improved from 2.22% and 1.80% respectively in FY19 to 2.30% and 1.88% respectively in FY20. GCA also increased from Rs.78.48 crore in FY19 to Rs.84.49 crore in FY20. GPIL achieved a PBT of Rs.59.73 crore on a TOI of Rs.2165.67 crore during 9MFY21.

Comfortable debt protection metrics

The capital structure of the company continued to remain comfortable with long term debt equity ratio of 0.11x and overall gearing of 1.47x as on March 31, 2020 as against long term debt equity ratio of 0.14x and overall gearing of 1.39x as on March 31, 2019. Moreover, total indebtedness of the company as reflected by TOL/ANW also remained comfortable at 1.04x as on March 31, 2020 (1.85x as on March 31, 2019). Interest coverage ratio was comfortable at 1.94x in FY20 (1.92x in FY19). However, total debt to GCA though improved yet remained high at 10.29x in FY20 (9.61x in FY18). Infomerics expects that the debt protection metrics of the company will continue to remain comfortable.

Favourable outlook of cable/conductors and wires in India



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The outlook for cable/conductors is favourable on account of continuous increase in government's focus to increase power generation capacity in the country along with reduction in Transmission and Distribution (T&D) losses and thrust on rural electrification.

Key Rating Weaknesses

Exposure to intense competition

The industry is characterized by high fragmentation with a large number of unorganised players, constraining the pricing power of organised sector players. Apart from the unorganized sector, GPIL also faces competition from the organized sector players. Due to highly competitive industry, the profit margins of the company continue to remain range bound over the years.

Susceptibility of profitability to volatile input prices

Major raw materials used in the manufacture of cables/conductors are aluminium and aluminium alloys, steel and copper which are usually sourced from large players at proximate distances. Prices of these commodities are volatile in nature generally impacting the profitability of players in the segment. Nevertheless, the company has managed to mitigate this risk to some extent due to its ability to pass on the increase in cost partially to its customers, albeit with a time lag.

Elongated receivable cycle with moderate working capital intensity

The receivable cycle of GPIL remained high, largely on account of elongated payment cycle from its clients and sizeable retention money in the EPC division. Clients for the manufacturing division receive credit of 60-180 days. However, at times payments are stretched further (mainly by government entities). For the EPC division, ~60% of the amount is received against supply. About 30% is against erection (which usually takes anywhere between 5-6 months or even more) and the balance 10% is on account of retention money which is released post completion. The operating cycle of the company stood high at 114 days in FY20 (93 days in FY19 and 94 days in FY18). The high working capital intensity is further reflected from the high average utilization of 82.45% for the past twelve months ended January 31, 2021.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing/Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity -Adequate

GPIL's liquidity profile is expected to remain adequate marked by its strong cash accruals vis a- vis its debt repayment obligations. However, the overall gearing remained moderate at 1.47x as on March 31, 2020 indicating a moderate gearing headroom. Further, the average working capital limit utilisation also stood moderate at ~82% for the past twelve months ended January 31, 2021 indicating an adequate liquidity cushion. The current ratio stood comfortable at 1.34x as on March 31, 2020. Also, the amount of free cash and cash equivalents and unutilised non fund-based limit stood modest at Rs.22.00 crore and Rs.168.00 crore respectively as on March 31, 2021. Infomerics believes that the company's cash flows will remain sufficient to service its debt obligations over the next three years.

About the Company

Gupta Power Infrastructure Ltd (GPIL) was set up in 1961 and was taken over by the family of Late Shri Jagdish Rai Gupta of Odisha in 1970. The company commenced operation with manufacture of Alloy Conductors in Odisha, in which it was the pioneer. Thereafter, the company also ventured into manufacturing of Cables and Alloy Cables. The product portfolio of the company consists of aluminium, aluminium-alloy, and aluminium-steel reinforced conductors, high tension and low-tension power cables, control cables, instrumentation and signal cables, ariel bunched cables and industrial cables. These products find application mainly in power generation, transmission and distribution utilities. In 2008, the Company also ventured into EPC segment where it started with setting up of sub-stations and distribution lines for electrification of villages. The company has also been exploring to enhance its focus in the retail wires segment (house wires). It has established its distribution network of retailers for selling cables under the brand name of 'Rhino' under the franchisee model.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	3515.76	3247.05
Total Income	3515.76	3247.77
EBITDA	194.03	199.94
PAT	63.15	60.98
Total Debt	753.86	869.12
Tangible Net worth	544.05	592.38
EBITDA Margin (%)	5.52	6.16
PAT Margin (%)	1.80	1.88



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For the year ended* / As On	31-03-2019	31-03-2020
Overall Gearing Ratio (x)	1.39	1.47

*As per Infomerics' Standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21		Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	0.00 *	Withdrawn	IVR A / Stable (March 20, 2020)	IVR A / Stable; Issuer Not Cooperating (March 02, 2020)	-	IVR A / Stable; Issuer Not Cooperating (December 03, 2018)
2.	Cash Credit	Long Term	1040.00 (Enhanced from Rs.1010.00 crore and including proposed limit of Rs.10.00 crore)	IVR A / Stable	IVR A / Stable (March 20, 2020)	IVR A / Stable; Issuer Not Cooperating (March 02, 2020)	-	IVR A / Stable; Issuer Not Cooperating (December 03, 2018)
3.	Bank Guarantee/Letter of Credit	Short Term	2310.00 (Enhanced from Rs.2231.58 crore and including proposed limit of Rs.130.00 crore)	IVR A1	IVR A1 (March 20, 2020)	IVR A1; Issuer Not Cooperating (March 02, 2020)	-	IVR A1; Issuer Not Cooperating (December 03, 2018)

*Nil outstanding.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	-	- *	Withdrawn
Long Term Bank Facilities – Cash Credit	-	-	-	1040.00 (Enhanced from Rs.1010.00 crore and including proposed limit of Rs.10.00 crore)	IVR A / Stable
Short Term Bank Facilities – Bank	-	-	-	2310.00 (Enhanced from	IVR A1



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Guarantee/Letter of Credit				Rs.2231.58 crore and including proposed limit of Rs.130.00 crore)	
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**Nil outstanding*

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Landers-GPIL-21-05-21.pdf>

