

Press Release

Gupta Power Infrastructure Ltd.

December 03, 2018

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
1.	Long Term Debt- Term Loan	58.42 (incl. proposed limit of Rs.25 crore)	IVR A/Stable Outlook (IVR Single A with Stable Outlook)	Assigned
2.	Long Term Fund Based Facilities	1010.00 (incl. proposed limit of Rs.110.00 crore)	IVR A/Stable Outlook (IVR Single A with Stable Outlook)	Assigned
3.	Short Term Non-fund based facilities	2231.58 (incl. proposed limit of Rs.231.58 crore)	IVR A1	Assigned
	Total	3300.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings derive strength from the long track record and established presence of the company, experienced promoters and management team, diversified revenue profile and manufacturing facilities and satisfactory order book. The company's large scale of operation and comfortable debt protection metrics also support the rating.

The rating, however, is constrained by moderate capital structure and profitability margins, volatile input prices along with highly competitive nature of industry.

Growth in profitability and improvement in the overall capital structure going forward are the key rating sensitivities.

List of Key Rating Drivers

- Long track record & established presence
- Experienced promoters & management team
- Diversified revenue profile and manufacturing facilities
- Reputed and Diversified Clientele

- Satisfactory order book
- Large scale of operation
- Comfortable debt protection metrics
- Moderate capital structure
- Moderate profitability margins
- Volatile input prices
- Highly fragmented & competitive nature of the sector

Detailed Description of Key Rating Drivers

Key Rating Strengths:

Long track record & established presence

Having been incorporated in 1961, the company has a track record of more than five decades with the current promoters managing the company since 1970. The company has consolidated its presence in this sector as one of the leading and reputed players over a period of time.

Experienced promoters & management team

The current promoter of the company, Mr. Mahendra Gupta (MD), has been associated with the company for more than two decades. His son, Mr. Abhishek Gupta, an MBA from Drexel University, USA, look after the operations of the company. They are well supported by a key management team comprising highly qualified & experienced professionals.

Reputed and Diversified Clientele

The company has various well recognised companies like Power Grid Corporation of India Ltd, KEC International Ltd, Odisha Power Transmission Co. Pvt. Ltd, Megha Engineering, L&T, Tata Projects Ltd etc. as its clientele. Further, the top 10 customers of the company contributed around 50% of the annual turnover during FY18, indicating a diversified clientele profile.

Satisfactory order book

The company has a satisfactory order book position) with orders across more than 20 contracts tantamounting to about 0.88 time of its FY18 revenue.

Large scale of operation

The company's topline increased continuously over the years, mainly on account of increase in revenue in the EPC segment. Further, its cables and conductors segment has also exhibited a steady growth due to the development in infrastructure and constant upgradation of products and facilities

Comfortable debt protection metrics

The company's debt protections parameters are comfortable, marked by interest coverage ratio of 1.83x and Term debt to GCA of 1.38x as on March 31, 2018. Overall debt level increased insignificantly, despite a modest growth in scale of operation.

Key Rating Weaknesses:

Moderate capital structure

On account of the working capital intensive nature of operation, the company has a slightly levered capital structure with overall gearing ratio being 1.44x as on March 31, 2018.

Moderate profitability margins

The company's EBITDA margin continued to remain moderate at 5.30% in FY18 as against 5.32% in FY17 amidst focus on revenue growth by the company. Further, the margins remained compressed due to the implementation of GST in H1FY18, due to which the company's input cost increased and it was not able to pass on the impact of the duty paid.

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 generally impacting the profitability of players in the segment.

Highly fragmented & competitive nature of the sector

The domestic cables/conductors sector is highly fragmented with presence of many players with varied stature & capabilities. While the competition is perceived to be healthy, as per the management, significant price cut by few players is a matter of serious concern for the users with respect to quality of output and for the companies with respect to margin.

Analytical Approach & Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

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 aluminum, aluminum-alloy, and aluminum-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 under the Rajiv Gandhi Grameen Vidyutikaran Yojana Scheme 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:

For the year ended* / As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	3112.38	3285.11
EBITDA	165.60	174.17
PAT	54.73	55.46
Total Debt	710.18	707.64
TangibleNetworth	448.87	492.68
EBITDA Margin (%)	5.32	5.30
PAT Margin (%)	1.76	1.69
Overall Gearing Ratio (x)	1.58	1.44

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: ICRA which had earlier rated the company, has classified it under "Issuer Not Cooperating" category vide press release dated October 22, 2018 due to non-payment of surveillance fee.

Any other information: N.A

Rating History for last three years:

S. No.	Name of Instrument/ Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Debt-Term Loan	Long Term	58.42 (incl. proposed limit of Rs.25 crore)	IVR A/ Stable Outlook	--	--	--
2.	Fund based Limits	Long Term	1010.00 (incl. proposed limit of Rs.110.00 crore)	IVR A/ Stable Outlook	--	--	--
3	Non Fund based Limits	Short Term	2231.58 (incl. proposed limit of Rs.231.58 crore)	IVR A1	--	--	--

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. 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
Term Loan	NA	NA	December 2020	33.42	IVR A/ Stable Outlook
Proposed Term Loan	NA	NA	NA	25.00	IVR A/ Stable Outlook
Fund Based Facilities	NA	NA	NA	1010.00 (incl. proposed limit of Rs.110.00 crore)	IVR A/ Stable Outlook
Non Fund based Limits	NA	NA	NA	2231.58 (incl. proposed limit of Rs.231.58 crore)	IVR A1