



## Press Release

### Gupta Power Infrastructure Limited

August 18, 2022

#### Ratings

| Instrument Facility /  | Amount (Rs. crore)  | Ratings   | Rating Action | <a href="#">Complexity Indicator</a> |
|--|---|---|---------------|--------------------------------------|
| Long Term Bank Facilities – Cash Credit                      | 1180.00<br>(enhanced from Rs.1040.00 crore and including proposed limit of Rs.90.00 crore)  | IVR A / Stable (IVR Single A with Stable outlook) | Reaffirmed    | Simple                               |
| Short Term Bank Facilities – Bank Guarantee/Letter of Credit | 2780.00<br>(enhanced from Rs.2310.00 crore and including proposed limit of Rs.310.10 crore) | IVR A1<br>(IVR A one)                             | Reaffirmed    | Simple                               |
| <b>Total</b>   | <b>3960.00</b><br><b>(Three thousand nine hundred and sixty crore only)</b>                 |   |               |                                      |

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The reaffirmation of 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 topline along with profitability in FY22 and Q1FY23 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.

#### Key Rating Sensitivities:

#### Upward Factors



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

### **Downward Factors**

- Moderation in the scale of operations and/or deterioration in profit margin impacting the liquidity and debt coverage indicators
- Withdrawal of subordinated unsecured loans and/or moderation in the capital structure with deterioration in overall gearing to over 2 times

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Experienced promoters with long track record**

Incorporated in 1961 and taken over by the existing management in 1970, GPIL has a track record of over five decades in the cables and conductor industry. The promoters are vastly experienced in this industry 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. The operations of the company are majorly looked after by Mr. Mahendra Gupta, Managing Director who have been associated with the company for more than two decades. His son, Mr. Abhishek Gupta, an MBA from Drexel University, USA, takes care of the operations of the company. They are well supported by a management team comprising of highly qualified & experienced professionals.

- **Diversified revenue profile and manufacturing facilities**

The company's product portfolio comprises aluminium, aluminium-alloy, and aluminium-steel reinforced conductors, high tension and low-tension array 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.3460 crore ~93% of its total operating income in FY22 (Rs.2747 crore



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i.e. ~93% of TOI in FY21) and the EPC division contributes around Rs.243.78 crore ~ ~% in FY21 of TOI (Rs 210.78 crore i.e. ~7% of its TOI in FY21).

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 like Power Grid Corporation of India, KEC International Limited, Odisha Power Transmission Co. Private Limited, Megha Engineering, L&T, Tata Projects Limited etc. as its clientele. The repeat orders received from its clientele validates its capabilities. Further, the top 10 customers of the company contributed ~ 49% of the annual turnover during FY22, 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.2817.90 crore as on June 30, 2022 (EPC division – Rs.1259.88 crore and manufacturing division – Rs.1550.02 crore). 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 topline along with profitability in FY22**

Total operating income of the company witnessed a y-o-y growth of ~25% to Rs. 3704.51 crore in FY22 from Rs 2957.78 crore in FY21 due to increase in the demand post relaxation of Covid 19 restrictions which hampered the production in previous year as there was shortage of labour and increase in price realisation of the product. With the increase in topline, absolute EBIDTA improved to Rs.242 crore in FY22 from Rs. 215.22 in FY21. However, the margins deteriorated marginally due to reduction of revenue from EPC segment. EBIDTA margin declined to 6.53% in FY22 from 7.28% in FY21. PBT and PAT margin moderated to 2.47% and 2.01% in FY22 from 2.56% and 2.09% in FY21 respectively increase in interest expenses with increase in total debt.

- **Improvement in capital structure with improvement in debt protection metrics**

The capital structure of the company remained comfortable with improvement in overall gearing to 1.40x as on March 31, 2022 from 1.47x as on March 31, 2021 due to accretion of profit to networth (considering the unsecured loan from body corporate of Rs.80 crore as quasi equity). Total indebtedness of the company improved to 2.48x as on March 31, 2022



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from 2.50x as March 31, 2021. Debt protection metrics of the company remained comfortable with improvement in interest coverage at 1.89x in FY22 from 1.85x in FY21. Total Debt by GCA remained at almost same level 11.70 years in FY22 in comparison to 11.32years in FY21.

- **Favourable outlook of cable/conductors and wires in India**

The cables and conductor's industry is open to significant growth opportunities on account of investments planned in the power and infrastructure sectors by the government. Investment by the central government through schemes such as Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY), Integrated Power Development Scheme (IPDS), Revamped Distribution Sector Scheme (RDSS) and Saubhagya will continue to maintain the demand in the cables and conductors' segment.

### **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 high competitive intensity the profit margins of the company continues to remain range bound over the years.

- **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. 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 operating improved to 138 days in FY22 from 145 days in FY221 increase in the average creditor period to 79 days in FY22 from 69 days in FY21. Average collection period marginally increased to 131 days in FY22 from 129 days in FY21. The receivable cycle of GPIL remained high, largely on account of elongated payment cycle due to retention money in the EPC division. Clients for the manufacturing division receive credit of 60-180 days. At



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times payments are stretched further (mainly by government entities). However, the same is offset to an extent due to high credit period enjoyed by the company from its suppliers.

**Analytical Approach:** Standalone

**Applicable Criteria**

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

### **Liquidity –Strong**

GPIL's liquidity profile is expected to remain adequate marked by its strong cash accruals Rs. Rs 109.21 crore, Rs 130.70 crore, Rs 147.98 crore in FY23, FY24 and FY25 respectively vis a- vis its debt repayment obligations Rs. 23.34 crore and Rs. 3.29 crore in FY23 and FY24 respectively. Further, the average working capital limit utilisation also stood moderate at ~88% for the past twelve months ended June 30, 2022 indicating an moderate liquidity cushion. The current ratio stood comfortable at 1.24x as on March 31, 2022. Infomerics believes that the company's cash flows will remain sufficient to service its debt obligations over the next three years. Further, absence of any capex plans provides further cushion to the liquidity position.

### **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.





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### Financials (Standalone):

(Rs. crore)

| For the year ended* / As on | 31.03.2021     | 31.03.2022     |
|-----------------------------|----------------|----------------|
|                             | <b>Audited</b> | <b>Audited</b> |
| Total Income                | 2958.01        | 3704.74        |
| EBIDTA                      | 215.22         | 242.00         |
| PAT                         | 61.81          | 74.45          |
| Total Debt                  | 949.77         | 1114.76        |
| Tangible Net Worth          | 646.47         | 793.51         |
| Adjusted Tangible Net Worth | 709.55         | 829.99         |
| EBDITA Margin (%)           | 7.28           | 6.53           |
| PAT Margin (%)              | 2.09           | 2.01           |
| Overall Gearing Ratio (x)   | 1.47           | 1.40           |

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

### Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities            | Current Ratings (Year 2022-23) |  |                | Rating History for the past 3 years                    |   |   |   |
|---------|--|--------------------------------|--|----------------|--|---|---|---|
|         |  | Type                           | Amount outstanding (Rs. Crore)         | Rating         | Date(s) & Rating(s) assigned in 2021-22 (May 21, 2021) | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 (March 20, 2020) (March 02, 2020) |   |
| 1.      | WCDL/CC                                  | Long Term                      | 1090.00 (enhanced from Rs. 1030 crore) | IVR A / Stable | IVR A / Stable   | -                                       | IVR A / Stable  | IVR A / Stable; Issuer Not Cooperating* |
| 2.      | Proposed WCDL/CC                         | Long Term                      | 90.00 (enhanced from Rs. 10 crore)     | IVR A / Stable | IVR A / Stable   | -                                       | IVR A / Stable  | IVR A / Stable; Issuer Not Cooperating* |
| 3.      | Bank Guarantee/Letter of Credit          | Short Term                     | 2469.90 (enhanced from Rs.2180 crore)  | IVR A1         | IVR A1   | -                                       | IVR A1  | IVR A1; Issuer Not Cooperating*         |
| 4.      | Proposed Bank Guarantee/Letter of Credit | Short Term                     | 310.10 (enhanced from Rs.130)          | IVR A1         | IVR A1   | -                                       | IVR A1  | IVR A1; Issuer Not Cooperating*         |



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| Sr. No. | Name of Instrument/Facilities | Current Ratings (Year 2022-23) |                                |        | Rating History for the past 3 years                       |   |   |   |
|---------|-------------------------------|--------------------------------|--------------------------------|--------|---|---|---|---|
|         |                               | Type                           | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2021-22<br>(May 21, 2021) | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20<br>(March 20, 2020) | Rating(s) assigned in 2019-20<br>(March 02, 2020) |
|         |                               |                                | crore)                         |        |   |   |   | g*  |

*\*Issuer did not cooperate; based on best available information*

### Name and Contact Details of the Rating Analyst:

|   |  |
|---|--|
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|---|--|

### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs),



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the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

| Name of Facility                         | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|--|------------------|------------------|---------------|------------------------------|--------------------------|
| WCDL/CC                                  | -                | -                | -             | 1090.00                      | IVR A/Stable             |
| Proposed WCDL/CC                         | -                | -                | -             | 90.00                        | IVR A/Stable             |
| Bank Guarantee/Letter of Credit          | -                | -                | -             | 2469.90                      | IVR A1                   |
| Proposed Bank Guarantee/Letter of Credit | -                | -                | -             | 310.10                       | IVR A1                   |

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-Gupta-Power-aug22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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](http://www.infomerics.com).