

**Press Release**

**Gupta Power Infrastructure Ltd.**

**December 03, 2018**

**Ratings**

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

**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:

| <b>For the year ended* / As On</b> | <b>31-03-2017<br/>(Audited)</b> | <b>31-03-2018<br/>(Audited)</b> |
|------------------------------------|---------------------------------|---------------------------------|
| Total Operating Income             | 3112.38                         | 3285.11                         |
| EBITDA                             | 165.60                          | 174.17                          |
| PAT                                | 54.73                           | 55.46                           |
| Total Debt                         | 710.18                          | 707.64                          |
| Tangible Networth                  | 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/<br>Stable Outlook | --                                      | --                                      | --                                      |
| 2.     | Fund based Limits             | Long Term                     | 1010.00 (incl. proposed limit of Rs.110.00 crore) | IVR A/<br>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](http://www.infomerics.com).

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

Name: Mr. Karan S. Punjabi

Tel: (022) 40036966

Email: [kspunjabi@infomerics.com](mailto:kspunjabi@infomerics.com)

**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.

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