

## Godha Cabcon and Insulations Limited

April 27, 2021

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	8.27	<b>CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)</b>	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable; (Single B Plus; Outlook: Stable)
Short Term Bank Facilities	10.00	<b>CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)</b>	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Facilities</b>	<b>18.27 (Rs. Eighteen Crore and Twenty-Seven Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE had, vide press release dated March 28, 2020, had placed the ratings of Godha Cabcon and Insulations Limited (GCIL) under the 'Issuer Non-cooperating' category as the company had failed to provide information for monitoring of the ratings. GCIL continues to be non-cooperative despite requests for submission of information through phone calls and e-mails dated February 11, 2021, February 21, 2021 and March 03, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.**

The revision in ratings assigned to bank facilities of Godha Cabcon and Insulations Limited (GCIL) is on account of dip in scale of operations in FY20 and 9MFY21 and net losses reported in 9MFY21. Further ratings continue to remain constrained on account of moderate capital structure, its presence in a highly fragmented and competitive industry and susceptibility of profitability margins to volatile raw material prices. The ratings, however, continue to drive strength from extensive experience of the management.

### Detailed description of the key rating drivers

At the time of last rating on March 28, 2020, the following were the rating weaknesses and strengths (updated based on best available information):

#### Key Rating Weaknesses

**Decline in scale of operations with net losses reported in 9MFY21:** Scale of operations of GCIL declined and remained modest marked by TOI of Rs. 52.20 crore in FY20 (Rs. 73.97 crore in FY19) mainly on account of lower sales of electric cables and conductors. Further, profitability margins continued to remain thin marked by a PBILDT margin of 3.42% in FY20 (2.84% in the previous year). PAT margin also remained at 0.43% in FY20. (0.49% in FY19). During 9MFY21(UA), company reported TOI of Rs. 6.56 crore with a net loss of Rs. 0.90 crore.

**Moderate capital structure:** The capital structure of GCIL improved as indicated by an overall gearing of 0.32x as on March 31, 2020 on the back of decline in overall debt as well as accretion of profit to reserves. Debt coverage indicators continued to remain weak marked by TD/GCA of 15.18 years as on March 31, 2020 (18.13 years as on March 31, 2019), while interest coverage remained at 1.36x in FY20 (1.39x in FY19).

**Susceptibility of profitability margins to volatile raw material prices:** The major raw materials required for manufacturing of conductors are electrolytic copper and aluminum, prices of which are highly fluctuating in nature and move in tandem with global demand-supply factors. Adverse changes in prices of the same would have an impact on the profitability margins of the company.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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

**Presence in a highly fragmented and competitive industry:** GCIL operates in a highly fragmented market with the presence of a large number of organized and unorganized players due to low entry barriers. Also, the presence of large players with an established marketing & distribution network leads to intense competition in the industry. Additionally, on account of rapidly changing dynamics of the end user industries (power distribution & transmission and electrical products) as well as competition from cheap Chinese imports, conductor manufacturers are required to upgrade their facilities at regular intervals resulting in regular capital commitments.

#### Key Rating Strengths

**Extensive experience of the promoters:** Mr. Dipesh Godha, Director, has an extensive experience in this domain of around two decades in the electric industry and looks after the overall management of the company. Further, the directors are supported by qualified and experienced team of professionals for business operations of the company.

**Analytical approach:** Standalone

#### Applicable Criteria:

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

#### About the company

Indore (Madhya Pradesh) based, Godha Cabcon and Insulation Limited (GCIL) is engaged in the business of manufacturing of Triple Aluminum Conductors (TAC) and Aerial Bundled Cable (ABC). The manufacturing unit of the company is located at Sanwer Road, Indore with combined total installed capacity of 1000 Tons Per Month (TPM) as on March 31, 2018.

Brief financials of GCIL are tabulated below:

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	73.97	52.20
PBILDT	2.10	1.78
PAT	0.36	0.22
Overall gearing (times)	0.46	0.32
Interest coverage (times)	1.39	1.36

A - Audited

**Status of non-cooperation with previous CRA:** CRISIL has moved ratings of GCIL to 'Issuer Not Cooperating' category vide press release dated November 30, 2020 on account of its inability to carry out a review in the absence of the requisite information from the entity (rating pertains to firm - Godha Cabcon and Insulation which was taken over by GCIL in July 2017).

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Complexity level of various instruments rated for this Company:** Please refer Annexure-3

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	September 2020	0.27	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	8.00	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	10.00	CARE A4; ISSUER NOT COOPERATING*

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

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings		Rating History				
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	0.27	CARE B; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (28-Mar-20)	1)CARE BB-; Stable (04-Mar-19)
2.	Fund-based - LT-Cash Credit	LT	8.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (28-Mar-20)	1)CARE BB-; Stable (04-Mar-19)
3.	Non-fund-based - ST-Bank Guarantees	ST	10.00	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (28-Mar-20)	1)CARE A4 (04-Mar-19)

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

**Annexure 3: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-Bank Guarantees	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**