

## Godha Cabcon and Insulation Limited

October 27, 2021

### Ratings

| Facilities                   | Amount<br>(Rs. crore)     | Rating <sup>1</sup> | Rating Action   |
|------------------------------|---------------------------|---------------------|---|
| Long Term Bank Facilities    | -                         | -                   | Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn |
| Short Term Bank Facilities   | -                         | -                   | Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*) and Withdrawn                           |
| <b>Total Bank Facilities</b> | <b>0.00</b><br>(Rs. Only) |                     |   |

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale and Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE B; Stable/ CARE A4; ISSUER NOT COOPERATING (Single B; Outlook: Stable/ A Four; ISSUER NOT COOPERATING) assigned to the bank facilities of Godha Cabcon & Insulations Ltd (GCIL) with immediate effect. The above action has been taken at the request of GCIL and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

The ratings assigned to the bank facilities of GCIL, prior to its withdrawal, continue to remain constrained on account of its modest scale of operations with cash loss reported in FY21, moderate capital structure, 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

#### Key Rating Weaknesses

##### **Modest scale of operations with cash loss in FY21:**

During FY21, GCIL's total operating income (TOI) declined by ~37% y-o-y to Rs.32.98 crore (Rs.52.20 crore in FY20) mainly on account of lower sales of electric cables and conductors. Lower scale of operations along with increase in raw material cost resulted in decline in PBILDT margin by 275 bps to 0.67% in FY21 (4.20% during FY20). Consequently, GCIL reported net loss of Rs.0.38 crore and cash loss of Rs.0.26 crore in FY21 (net profit of Rs.0.22 crore and cash profit of Rs.0.52 crore in FY20)

During Q1FY22, GCIL reported TOI of Rs.13.78 crore with some pick-up in demand witnessed during the period. Operating profitability also improved to 2.90% in Q1FY22.

##### **Moderate capital structure and weak debt coverage:**

Capital structure of GCIL remained moderate with overall gearing of 0.30x as on March 31, 2021 (0.32x as on March 31, 2020). Debt coverage indicators continued to remain weak in FY21 with PBILDT interest coverage of 0.42x and total debt/PBILDT of 25.16x.

##### **Susceptibility of profitability margin to volatile raw material prices:**

The major raw materials required for manufacturing of conductors are electrolytic copper and aluminium, 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.

##### **Presence in a highly fragmented and competitive industry:**

GCIL operates in a highly fragmented market with presence of many 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

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

### Key Rating Strengths

#### **Extensive experience of the promoters:**

Mr. Dipesh Godha, Director, has an extensive experience 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](#)

[CARE's policy on withdrawal of ratings](#)

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

[Criteria for Short Term Instruments](#)

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

[Rating Methodology - Manufacturing Companies](#)

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

#### About the Company

Indore (Madhya Pradesh) based 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 (Rs. crore) | FY20 (A) | FY21 (A) | Q1FY22 (UA) |
|------------------------------|----------|----------|-------------|
| Total operating income       | 52.20    | 32.98    | 13.78       |
| PBILDT                       | 1.78     | 0.22     | 0.40        |
| PAT                          | 0.22     | -0.38    | 0.10        |
| Overall gearing (times)      | 0.32     | 0.30     | NA          |
| Interest coverage (times)    | 1.36     | 0.42     | NA          |

A: Audited, UA: Un-audited; NA: Not Available

**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

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

#### 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           | -                | -           | -             | 0.00                          | Withdrawn                                 |
| Fund-based - LT-Cash Credit         | -                | -           | -             | 0.00                          | Withdrawn                                 |
| Non-fund-based - ST-Bank Guarantees | -                | -           | -             | 0.00                          | Withdrawn                                 |

## 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              | -                              | -      | 1)CARE B; Stable; ISSUER NOT COOPERATING* (27-Apr-21) | -   | 1)CARE B+; Stable; ISSUER NOT COOPERATING * (28-Mar-20) | 1)CARE BB-; Stable (04-Mar-19)            |
| 2       | Fund-based - LT-Cash Credit             | LT              | -                              | -      | 1)CARE B; Stable; ISSUER NOT COOPERATING* (27-Apr-21) | -   | 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              | -                              | -      | 1)CARE A4; ISSUER NOT COOPERATING* (27-Apr-21)        | -   | 1)CARE A4; ISSUER NOT COOPERATING * (28-Mar-20)         | 1)CARE A4 (04-Mar-19)                     |

**Annexure 3: Covenants of rated instrument/facility:** Not Applicable

## Annexure 4: Complexity level of various instruments rated for this company

| Sr. No | Name of 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. 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:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### Disclaimer

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