

Godha Cabcon and Insulation Limited

March 28, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	8.27	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	ISSUER NOT COOPERATING; Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) “on the basis of best available information”
Short-term Bank Facilities	10.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	ISSUER NOT COOPERATING; Based on best available information
Total	18.27 (Rupees Eighteen Crore and twenty-seven lakhs only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Godha Cabcon and Insulations Limited (GCIL) to monitor the ratings vide e-mail communications dated December 18, 2019, January 24, 2020, February 25, 2020 and February 26, 26, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. Further, GCIL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating of GCIL bank facilities will now be denoted as **CARE B+; Stable ISSUER NOT COOPERATING* and CARE A4 ISSUER NOT COOPERATING***.

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

The revision in the ratings of GCIL takes into account deterioration in its operating margins. The ratings, further, continues to remain constrained on account of its modest scale of operations in a highly fragmented and competitive industry and susceptibility of profitability margins to volatile raw material prices. The ratings, further, constrained on account of moderate solvency and liquidity position.

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 04, 2019, the following were the rating strengths and weaknesses (Updated for the information available of FY19 from client)

Key Rating Weakness

Modest scale of operations with thin profitability margins

During FY19, TOI of the company has improved by 14.38% over FY18 mainly on account of increase in sales of the conductors. The profitability of GCIL stood thin marked by PBILDT and PAT margin of 2.83% and 0.49% respectively in FY19 as against 7.12% and 3.22% respectively in FY18.

Moderate solvency and liquidity position

The capital structure of the company stood comfortable at 0.46 times as on March 31, 2019, improved from 0.91 times as on March 31, 2018 mainly on account of repayment of term loans, infusion of share capital and accretion of profits to reserve which is offset by higher working capital utilization. The debt coverage indicators of the company have also deteriorated from total debt to GCA of 5.24 times as on March 31, 2018 to 18.23 times as on March 31, 2019. The interest coverage ratio stood moderate at 1.39 times as on March 31, 2019.

The liquidity profile of the company has deteriorated with deterioration in its operating cycle from 94 days in FY18 to 99 days in FY19 owing to high collection period.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Susceptibility of profitability margins to volatile raw material prices coupled with presence in a highly fragmented and competitive industry

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 firm. To mitigate its risk, GCIL stocks up raw material as and when it gets a favorable rate.

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) was formed by Mr. Dipesh Godha along with other family to take over the business of Godha cabcon and Insulation, a proprietorship concern which was formed in 2007. The business of the firm was acquired on July 15, 2017 by GCIL by converting proprietor capital and unsecured loans into the share capital of GCIL. Subsequently, in April 2018, the company has come out with an IPO and listed its shares on NSE SME platform.

GCIL is engaged in the business of manufacturing of Triple Aluminium 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. The company participates in the tenders for supply of conductors and has longstanding association with Madhya Pradesh State Electricity Board (MPSEB) and also supplies conductors to private players in the industry.

Brief Financials (Rs. crore)	FY18(A)	FY19(A)
Total operating income	64.67	73.97
PBILDT	4.60	2.10
PAT	2.08	0.36
Overall gearing (times)	0.91	0.46
Interest coverage (times)	1.81	1.39

A: Audited

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information and has classified the Godha Cabcon and Insulation Limited as "Not cooperating" vide its press release dated August 31, 2019.

Any other information: None

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

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* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Fund-based - LT-Cash-Credit		-	-	8.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Non-fund-based - ST-Bank Guarantees		-	-	10.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term-Loan	LT	0.27	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1) CARE BB-; Stable (04-Mar-19)	1) CARE BB-; Stable (16-Feb-18)	-
2.	Fund-based - LT-Cash-Credit	LT	8.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1) CARE BB-; Stable (04-Mar-19)	1) CARE BB-; Stable (16-Feb-18)	-
3.	Non-fund-based - ST-Bank Guarantees	ST	10.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1) CARE A4 (04-Mar-19)	1) CARE A4 (16-Feb-18)	-

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. Investors/market intermediaries/regulators or others are welcome to write to 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.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.