

Press Release

Global Copper Private Limited

March 23, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 30.00 crore bank facilities of Global Copper Private Limited. The outlook is '**Stable**'.

Incorporated in 2010, Global Copper Private Limited (GCPL) is engaged in the manufacturing of copper coils and tubes.

Key Rating Drivers

Strengths

- **Experienced management**

The Director, Mr. Hitesh Vaghela has nearly two decades of experience in the copper industry through its group company, Honest Enterprise Limited.

- **Healthy revenue growth**

GCPL reported revenue of Rs.77.53 cr in FY2016 against Rs.47.98 cr in FY2015. The operating income grew by 61.60 per cent in 2016 mainly due to increase in demand for the products from end users.

Weaknesses

- **Average financial risk profile**

The overall gearing (total debt to equity ratio) stood at 1.56 times as on March 31,2016. Further, the interest coverage ratio stood at 1.71 times in FY2016 as compared to 0.91 times in the previous year. The DSCR stood low at 0.69 times in FY2016 as against 0.54 times in the previous year. However, the long term debt obligation of GCPL is met by regular infusion of unsecured loan from promoters.

- **Profitability is susceptible to volatility in raw material prices**

The profit margins are susceptible to fluctuations in the prices of copper - the main raw material.

- **Intense market competition**

GCPL operates in the highly competitive copper industry with several organised and unorganised players which limits its bargaining power. The stiff competition from relatively cheaper imports also limits the pricing flexibility and profitability.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of GCPL.

Outlook: Stable

SMERA believes that GCPL will continue to maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company

registers higher-than-expected revenue and improved profitability with improvement in its financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity - Key Financials

For FY2016, GCPL reported net profit of Rs.0.53 cr on net sales of Rs.77.53 cr as compared with net loss of Rs.0.82 cr on net sales of Rs.47.98 cr in the previous year. The tangible net worth for FY2016 stood at Rs.14.38 cr.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	14.50	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Pranali Salgaonkar Rating Analyst Tel: 022-67141127 pranali.salgaonkar@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in

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ABOUT SMERA

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