



Press Release

Global Copper Private Limited

December 09, 2020

Rating Upgraded, Withdrawn & Assigned

Total Bank Facilities Rated*	Rs. 40.00 crore* (Enhanced from Rs. 30.00 crore)
Long Term Rating	ACUITE BBB/ Outlook: Stable (Upgraded, Withdrawn & Assigned)
Short Term Rating	ACUITE A2 (Upgraded & Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BBB' (read as ACUITE triple B)** from '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 23.85 crore bank facilities of Global Copper Private Limited (GCPL). The outlook is '**Stable**'.

Acuité has assigned the long-term rating of '**ACUITE BBB' (read as ACUITE triple B)** on the Rs. 15.50 crore bank facilities of Global Copper Private Limited (GCPL). The outlook is '**Stable**'.

Acuité has upgraded and withdrawn the long-term rating of '**ACUITE BBB' (read as ACUITE triple B)** on the Rs. 14.50 crore bank facilities of Global Copper Private Limited (GCPL).

Acuité has upgraded the short-term rating to '**ACUITE A2' (read as ACUITE A two)** from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 0.65 crore bank facilities of Global Copper Private Limited (GCPL).

Acuité has upgraded and withdrawn the short-term rating of '**ACUITE A2' (read as ACUITE A two)** on the Rs. 5.00 crore bank facilities of Global Copper Private Limited (GCPL).

Rationale for rating upgrade

The revision in rating is on account of the comfort derived from GCPL's association with Ram Ratna Group (hereinafter referred to as RR Group) followed by change in the analytical approach. Earlier, Acuité had considered the standalone approach; however currently, the analytical approach has been changed to consolidation of companies in the RR group.

Further, the rating revision also factors in the healthy scale of operations, moderate financial risk profile, efficiently managed working capital operations and adequate liquidity position of the group. The scale of operations of RR Group have shown significant improvement on the back of continuous and repetitive orders from reputed customers. The operating income stood at Rs. 1,446.44 crore in FY2020 as against Rs. 1,422.63 crore and Rs. 1,138.16 crore, resulting in a growth at a CAGR of 12.73 per cent over the period of three years. However, the operating margins have declined to 4.26 per cent in FY2020 in comparison to 4.85 per cent in FY2019 and 6.21 per cent in FY2018. This is on account of fluctuations in the prices of primary raw material, i.e. copper and simultaneously increased proportion of fixed costs.

Further, the financial risk profile is moderate backed by strong net worth, moderate gearing and debt-coverage indicators. The net worth has slightly declined and stood at Rs. 218.33 crore as on March 31, 2020 as against Rs. 221.46 crore as on March 31, 2019. This decline is driven by other

comprehensive loss of Rs. 15.87 crore due to net loss in the valuation of equity shares of RR Kabel Limited as on March 31, 2020. The gearing improved to 1.18 times as on March 31, 2020 from 1.27 times as on March 31, 2019. Further, the coverage indicators stood moderate marked by interest coverage ratio of 2.22 times for FY2020 and debt service coverage ratio of 1.43 times for FY2020.

The rating also derives comfort from adequate liquidity position of the group as evident from moderate net cash accruals of Rs. 33.10 crores in FY2020 against maturing debt obligations of Rs. 14.57 crore to be met during the same period.

Analytical Approach

Acuite has changed the analytical approach to consolidated approach from standalone, as GCPL is acquired by the flagship company of RR group with a shareholding of 60 per cent. Currently, Acuite has taken a consolidated view of business and financial risk profiles of GCPL, Ram Ratna Wires Limited (RRWL), EPAVO Electricals Private Limited (EEPL) and RR Imperial Electricals Limited (RRIEL) to arrive at this rating, owing to similar line of business, common management and operational as well as financial synergies between the entities. Acuite has also factored in the minimal impact of GCPL on the overall operations as well as financial risk profile of the group. Further, GCPL's standalone performance is in congruence with the performance of the group. Extent of consolidation: Full.

About the Company: Global Copper Private Limited (GCPL)

Incorporated in the year 2010 by Mr. Laxmichand Vaghela and Mr. Hitesh Vaghela, GCPL is engaged in the manufacturing of level wound coil (LWC) copper and pancake copper coils (PCC) and copper tubes of varied sizes, with an installed capacity of 4,800 MT per annum. In 2016, this company was acquired by Honest Enterprises Limited (HEL) with a shareholding of 70 per cent. HEL is closely held by Mr. Hitesh Vaghela and family based in Gujarat and manufactures stainless steel products like coils, sheets and plates, to name a few.

Later in April 2017, its shareholding was reduced to 10 per cent as GCPL was acquired by Ram Ratna Wires Limited with 60 per cent shareholding of the latter.

About the group (RR Group)

RRWL was incorporated in the year 1992 by Mr. Rameshwarlal Kabra along with his sons and is listed at BSE since 1994. It is engaged in the manufacturing of winding wires, paper covered strips, enamelled aluminium wire, copper strips & flat cables under the brand name "RR Shramik". It is the flagship company of RR Group which are one of the leading conglomerates in the electrical and copper industry. RRWL is listed at BSE and is the second largest manufacturer of super enamelled copper winding wires in India.

Incorporated on 26th August, 2020, EEPL is the latest addition to the group with 74 per cent shareholding of Ram Ratna Wires Limited and 26 per cent shareholding of Ennova Techno Tools Private Limited. It is engaged in the manufacturing of BLDC motors.

RR Imperial Electricals Limited is a joint venture between RR group and a Bangladesh based, Imperial group. It is engaged in the manufacturing processing, sale and distribution of copper enamelled wires, copper stripes (bare and paper covered), bus bars, low voltage and HT cables and electrical products. The manufacturing unit is located in Bangladesh.

Key Rating Drivers

Strengths

- **Experienced management, established track record of operations and diversified product portfolio with reputed clientele**

RR group is promoted by Mr. Rameshwarlal Kabra, who have an experience of more than four

decades in the aforementioned industry. Currently, the group is led by Mr. Tribhuvan Prasad Kabra, Mr. Mahendra Kumar Kabra, Mr. Hemant Kabra and Ms. Kirtidevi Kabra. Mr. Hemant Kabra is currently serving as the Vice-Chairman of Winding Wires Manufacturers' Association of India (WWMAI). The promoters are actively involved in day to day operations has helped the group in developing long-term relationships with its customers and suppliers.

The group has well-diversified product portfolio distinguished by various product lines such as enamelled copper wires, enamelled copper strips, submersible winding wires, level wound coil (LWC) copper and pancake copper coils (PCC), to name a few.

Notwithstanding the highly competitive and fragmented nature of winding wire industry due to the presence of thousands of small industry players constituting the unorganized segment, RR group has an established position as well as brand name in the industry. This is primarily on account of reputed clientele consisting of OEMs such as Cummins Generator Technologies India Private Limited, CG Power and Industrial Solutions Limited, Godrej Boyce Manufacturing Company Limited and Global Connection Impex Trading LLC, to name a few.

Owing to the above-mentioned factors, the group has achieved a revenue of Rs. 1,446.44 crores in FY2020. Due to the ongoing pandemic and lockdown across the country, group has reported a decline in the net sales for Q1FY2021 to Rs. 183.16 crore as compared to Rs. 393.83 crore in Q1FY2020, thereby registering a decline of 53.49 per cent. However, the group has recovered the operations to a great extent in Q2FY2020 as evident from the net sales of Rs. 359.40 crore against the net sales of Rs. 367.87 crore during the same period in the previous year.

Acuité believes that RR group will continue to benefit from its established track record of operations, extensive experience of the promoters, diversified product profile and reputed clientele of the group.

• **Moderate financial risk profile**

The financial risk profile of the group is moderate marked by strong net worth, moderate gearing, debt protection metrics and coverage indicators.

The net worth of RR group is healthy at Rs. 218.33 crore as on March 31, 2020 as compared to Rs. 221.46 crore as on March 31, 2019. The decline is on account of comprehensive loss of Rs. 15.87 crore due to net loss in the valuation of equity shares of RR Kabel Limited as on March 31, 2020.

RR group has followed a conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 1.27 times and 1.74 times as on March 31, 2019, over the past three years. The leverage levels have improved to remain moderate at 1.18 times as on March 31, 2020. The total debt of Rs. 256.95 crore as on 31 March 2020 comprised of long-term borrowings of Rs. 62.20 crores of which Rs. 23.57 crore are to be repaid in the next year and working capital borrowings of Rs. 194.75 crores. Unsecured loans from related parties of Rs. 35.27 crore are classified as quasi equity as the amount would remain invested in the business in the long-run.

Moderate profitability has led to moderate debt coverage indicators of the RR group marked by debt-service-coverage-ratio of 1.43 times for FY2020 as against 1.59 times for FY2019 and interest coverage ratio of 2.22 times for FY2020 as against 2.39 times for FY2019. Debt-coverage indicators are moderated over the last three years due to debt-funded capex of ~Rs. 150 crore incurred by the flagship company of the group i.e. RRWL. The company incurred this capex to enhance its production capacity. Currently, there are no major plans for capital expansion in the other companies of the group while there is a proposed capital expansion plan in GCPL of ~Rs. 18.00 crore to increase the capacity of the plant from 400 tonnes per month to 550 tonnes per month, which would be financed entirely through internal accruals and infusion of unsecured loans from related parties. Hence, it is not likely to impact the overall financial risk profile of the group.

Acuité believes that the financial risk profile of RR group will continue to remain moderate on account of moderate profitability and strong net worth.

• Efficiently managed working capital

RR group has efficiently managed working capital requirements marked by gross current assets (GCA) of 87 days in FY2020 improved from 100 days in FY2019, although the larger portion of the debt is constituted by the working capital borrowings. This improvement is on account of debtors' collection period of 55 days in FY2020 as against 62 days in FY2019 while inventory holding period stood stable at 27 days in FY2020. The fund-based working capital limit of GCPL remains utilised at ~71.25 per cent over the last seven months till October, 2020 while the non-fund based limit remains fully utilized. Acuité expects the working capital operations of the RR group to remain efficient on account of level of inventory to be maintained and the credit given to its customers.

Weaknesses**• Declining profitability margins and susceptibility of margins to volatility in raw material prices**

The total raw materials cost constitutes ~90 per cent of the total operating income of the group, which indicates the vulnerability of profitability margins to the fluctuations in raw material prices. It is the primary reason for declining trend of profitability margins as evident from continuous decline in EBITDA margins for last three years i.e. 4.26 per cent in FY2020, 4.85 per cent in FY2019 and 6.21 per cent in FY2018. In addition to this, allowance for doubtful debts and bad debts written off is sharply increased to Rs. 5.45 crore in FY2020 (PY: Rs. 1.59 crore), causing decline in profitability. Acuité believes that the group's ability to pass on the cost to the customers would be a key rating sensitivity.

Rating Sensitivity

- Significant decline in the scale of operations.
- Deterioration in its working capital management.
- Substantial improvement in profitability levels, thereby improving group's debt coverage indicators.

Material Covenants

None

Liquidity: Adequate

RR group has adequate liquidity profile marked by moderate net cash accruals to its maturing debt obligations. The group has generated cash accruals of Rs. 33.10 crore for FY2020, while its maturing debt obligations were Rs. 14.57 crore during the same period. The group's working capital operations are efficiently managed marked by Gross Current Asset (GCA) of 87 days for FY2020. The group maintains unencumbered cash and bank balances of Rs. 0.98 crore as on 31 March, 2020. The fund-based working capital limit of GCPL remains utilised at ~71.25 per cent over the last seven months till October, 2020 while the non-fund based limit remains fully utilized. In addition this, GCPL has availed the benefits of COVID-19 Regulatory Package announced by Reserve Bank of India (RBI) on March 27, 2020 in the form of moratorium of six months for payment of interest amounting to Rs. 0.87 crore along with demand loan under Guaranteed Emergency Credit Line to the extent of Rs. 2.45 crore. The current ratio of the group stood at 1.27 times as on March 31, 2020. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of moderate cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuité believes that RR group will maintain a 'Stable' outlook over the medium term on the back of promoters' extensive experience in the industry and long-standing relationships with its customers. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely,

the outlook may be revised to 'Negative' in case the group registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	1,446.44	1,422.63
PAT	Rs. Cr.	14.58	15.96
PAT Margin	(%)	1.01	1.12
Total Debt/Tangible Net Worth	Times	1.18	1.27
PBDIT/Interest	Times	2.22	2.39

Status of non-cooperation with other CRA

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to previous three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28 October 2020	Cash Credit	Long term	10.00	ACUITE B+ Downgraded; Issuer not co-operating*)
	Term Loans	Long term	14.50	ACUITE B+ Downgraded; Issuer not co-operating*)
	Bank Guarantee	Short term	0.50	ACUITE A4 Issuer not co-operating*
	Letter of Credit	Short term	5.00	ACUITE A4 Issuer not co-operating*
06 August 2019	Cash Credit	Long term	10.00	ACUITE BB- Issuer not co-operating*
	Term Loans	Long term	14.50	ACUITE BB- Issuer not co-operating*

	Bank Guarantee	Short term	0.50	ACUITE A4 Issuer not co-operating*
	Letter of Credit	Short term	5.00	ACUITE A4 Issuer not co-operating*
08 May 2018	Cash Credit	Long term	10.00	ACUITE BB- Issuer not co-operating*
	Term Loans	Long term	14.50	ACUITE BB- Issuer not co-operating*
	Bank Guarantee	Short term	0.50	ACUITE A4 Issuer not co-operating*
	Letter of Credit	Short term	5.00	ACUITE A4 Issuer not co-operating*
23 March 2017	Cash Credit	Long term	10.00	ACUITE BB-/ Stable (Assigned)
	Term Loans	Long term	14.50	ACUITE BB-/ Stable (Assigned)
	Bank Guarantee	Short term	0.50	ACUITE A4 (Assigned)
	Letter of Credit	Short term	5.00	ACUITE A4 (Assigned)

***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	23.85 (Enhanced from Rs. 10.00 crore)	ACUITE BBB/ Stable (Upgraded)
Term Loan	Not Available	Not Available	Not Available	14.50	ACUITE BBB/ Stable (Upgraded and Withdrawn)
Term Loan-II	01 Sept. 2020	7.40%	31 March 2021	0.87	ACUITE BBB/ Stable (Assigned)
Working Capital Demand Loan	16 July 2020	7.40%	15 July 2022	2.45	ACUITE BBB/ Stable (Assigned)
Packing Credit/ PCFC/ CEL	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE BBB/ Stable (Assigned)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.78	ACUITE BBB/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.65 (Enhanced from Rs. 0.50 crore)	ACUITE A2 (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2 (Upgraded and Withdrawn)

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About Acuité Ratings & Research:

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