Press Release

Global Copper Private Limited

March 10, 2022

Rating Assigned, Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.00	-	ACUITE A2 | Reaffirmed
Bank Loan Ratings	1.62	ACUITE BBB+ | Stable | Assigned	-
Bank Loan Ratings	50.95	ACUITE BBB+ | Stable | Upgraded	-
Total Outstanding Quantum (Rs. Cr)	53.57	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has upgraded its long-term rating to **'ACUITE BBB+' (read as ACUITE t riple B plus)** from **'ACUITE BBB' (read as ACUITE Triple B)** on the Rs.50.95 crore bank facilties, assigned its long term rating of **'ACUITE BBB+'** on the Rs.1.62 crore bank facilities and reaffirmed the short term rating of **ACUITE A2 (read as ACUITE A2)** on Rs.1.00 crore bank facilities of Global Copper Private Limited (GCPL). The outlook is **'Stable'**.

Rationale for Rating Action

The rating is upgraded taking into consideration the improved business and financial risk profile of GCPL and its close association with Ram Ratna Group (hereinafter referred to as 'RR' Group). Ram Ratna Wires Limited, flagship company of RR group holds 60 percent stake in GCPL. The group's operating income improved to Rs.1527 Cr in FY2021 as against Rs.1446 Cr in FY2020. The Group's income stood at Rs.1656 Cr in 9MFY2022. The financial risk profile of the Group continued to remain moderate marked by strong net-worth, moderate gearing and comfortable debt protection metrics.

About Company

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 4,920 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

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.

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité 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. Acuité 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.

Key Rating Drivers

Strengths

> Experienced management, established t rack record of operations and diversified product portfolio with reputed clientele

RR group is founded by Mr. Rameshwarlal Kabra, who has 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 and Mr. Hemant Kabra along with a team of experienced professionals. The promoters are actively involved in day to day operations of the Group, which 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 abovementioned factors, the group has achieved a revenue of Rs. 1,526.94 crores in FY2021. The Group's operating income stood at Rs. 1651.39 Cr in 9MFY2022.

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 Group's financial risk profile is moderate marked by strong net-worth, moderate gearing and comfortable debt protection metrics. The net worth of RR Group stood at Rs.206.46 Cr as on March 31, 2021 as against Rs.183.06 Cr as on March 31, 2020. The improvement is mainly on account of accretion of profits to reserves and net gain in valuation of investments in group entity. The total debt rose to Rs.360.83 Cr as on March 31, 2021 as against Rs.292.22 Cr as on March 31, 2020. The increase in debt is on account of increase in GECL loans and higher utilisation of short term borrowings. The Group's overall gearing and TOL/TNW stood at 1.75 times and 2.12 times respectively as on March 31, 2021 as against 1.60 times and 1.94 times respectively as on March 31, 2020. Interest coverage and NCA/Total Debt stood at 2.50 times and 0.09 times for FY2021 as against 2.22 times and 0.11 times for FY2020. GCPL on astandalone basis increased its production capacity to 4920 MTPA in FY2022 from 4200 MTPA last year. The Company plans to further expand its capacity over the medium term and is also under process to install a solar power plant at its premises for captive use. The total capex plan is estimated at ~Rs.5 Cr to be funded partly by debt and partly by equity.

Acuite believes that the Group's financial risk profile is expected to be moderate over the medium term on account of moderate profitability and strong net-worth.

> Efficiently managed working capital

The Group's working capital requirement continues to be efficiently managed, however, a marginal increase is reflected in gross current asset days, as it stood at 106 days as on March 31, 2021 as against 87 days as on March 31, 2020. The GCA days are driven by debtor and inventory days which stood at 68 days and 33 days respectively as on March 31, 2021 as against 55 days and 27 days respectively as on March 31, 2020. The Company's twelve months average bank limit utilisation ranged between 80-85 percent for period ended January, 2022.

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 Group's 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.4.04 percent in FY2021, 4.26 percent in FY2020 and 4.85 percent in FY2019.

Acuité believes that the group's ability to pass on the cost to the customers would be a key rating sensitivity.

Rating Sensitivities

> 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 Position: Adequate

The Group's liquidity is expected to remain adequate over the medium term on account of adequate cash accruals against debt repayment obligations. The Group generated cash accruals of Rs. 33.32 Cr and Rs. 33.10 Cr in FY2021 and FY2020 against repayment obligations of Rs.14-24 Cr for the same period. The gross accruals are expected to be in the range of Rs.54 to 63 against debt repayment obligations of Rs.21 to 24 for the period FY22-23. The GCA days stood at 106 days and unencumbered cash and bank balance stood at Rs. 3.98 Cr as on March 31, 2021. GCPL's twelve months average bank limit utilisation ranged between 80-85 percent for period ended January, 2022. 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 repayment obligations.

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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	1526.94	1446.44
PAT	Rs. Cr.	15.73	14.58
PAT Margin	(%)	1.03	1.01
Total Debt/Tangible Net Worth	Times	1.75	1.60
PBDIT/Interest	Times	2.50	2.22

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

None

Any Other Information

None

Applicable Criteria

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

Note on Complexity Levels of the Rated Instrument

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

Rating History

Date	Name of Istruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Dec 2020	Term Loan	Long Term	0.87	ACUITE BBB | Stable (Assigned)
	Packing Credit	Long Term	0.40	ACUITE BBB | Stable (Assigned)
	Working Capital Demand Loan	Long Term	2.45	ACUITE BBB | Stable (Assigned)
	Term Loan	Long Term	14.50	ACUITE BBB | Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	11.78	ACUITE BBB | Stable (Assigned)
	Bank Guarantee	Short Term	0.65	ACUITE A2 (Upgraded from ACUITE A4)
	Cash Credit	Long Term	23.85	ACUITE BBB | Stable (Upgraded from ACUITE B+)

	Letter of Credit	Short Term	5.00	ACUITE A2 (Withdrawn)
28 Oct 2020	Term Loan	Long Term	14.50	ACUITE B+ (Downgraded and 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*)
	Cash Credit	Long Term	10.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
06 Aug 2019	Proposed Bank Facility	Short Term	5.00	ACUITE A4 (Issuer not co-operating*)
	Letter of Credit	Short Term	0.50	ACUITE A4 (Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE BB- (Issuer not co-operating*)
	Term Loan	Long Term	14.50	ACUITE BB- (Issuer not co-operating*)
08 May 2018	Cash Credit	Long Term	10.00	ACUITE BB- (Issuer not co-operating*)
	Term Loan	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 Mar 2017	Cash Credit	Long Term	10.00	ACUITE BB- | Stable (Assigned)
	Term Loan	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.65	ACUITE A2 | Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.35	ACUITE A2 | Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.85	ACUITE BBB+ | Stable | Upgraded
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.78	ACUITE BBB+ | Stable | Upgraded
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.22	ACUITE BBB+ | Stable | Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.15	ACUITE BBB+ | Stable | Upgraded
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	1.62	ACUITE BBB+ | Stable | Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.95	ACUITE BBB+ | Stable | Upgraded

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.