



Press Release
GLOBAL COPPER PRIVATE LIMITED
June 06, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	45.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	52.57	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	1.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	98.57	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**Acuite BBB+**' (read as **ACUITE Acuite Triple B plus**) on the Rs. 52.57 crore bank facilities, assigned its long term rating of '**Acuite BBB+**' (read as **Acuite triple B plus**) on the Rs. 45.00 crore bank facilities, Acuite has also reaffirmed the short term rating of **Acuite A2** (read as **Acuite A two**) on the Rs. 1.00 crore bank facilities of Global Copper Private Limited (GCPL).

The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating reaffirmation takes into account the stable operating and financial performance of RR Group in FY2023. The revenue of the group stood at Rs. 2649.59 crore in FY2023 as against Rs. 2286.46 crore in FY2022, while the operating margins stood at 4.10 percent in FY2023 as against 4.91 percent in FY2022. The rating draws comfort from experienced management, an established track record of operations, and a diversified product portfolio with reputed clients. The rating also draws comfort from the moderate financial risk profile, efficiently managed working capital, and adequate liquidity position of the group. The rating is, however, constrained by declining profitability margins and the susceptibility of margins to volatility in raw material prices.

About Company

Incorporated in 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. The company is also planning for upcoming products like inner grooved tubes (IGT) and copper tube fittings. All the products are made from Cu-DHP (Deoxidized High Residual Phosphorous Copper) and Cu-ETP (Electrolytic Tough Pitch Copper), using high-grade copper cathodes (99.99% purity), which ensures consistent and unmatched quality in all the products. The raw material used is of the highest grade (copper cathode with 99.99% purity), which, coupled with modern technology, provides superior products for air conditioning, refrigeration, industrial heat exchangers, solar systems, and sanitary applications.

GCPL is the only manufacturer with advanced "cast and roll" and the sole manufacturer of level wound coil (LWC) in India.

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

RRWL has four manufacturing facilities with a combined capacity of 35900 MTPA. Incorporated on August 26, 2020, EEPL is the latest addition to the group, with a 74 percent shareholding in Ram Ratna Wires Limited and a 26 percent shareholding in Ennova Techno Tools Private Limited. It is engaged in the manufacturing of BLDC motors.

RR Imperial Electricals Limited is a joint venture between the RR Group and the 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 Global Copper Private Limited (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. The entities are together referred to as 'RR Group'.

Key Rating Drivers

Strengths

Experienced management, an established track record of operations, and a diversified product portfolio with a reputed clientele

RR Group is founded by Mr. Rameshwarlal Kabra, who has more than four decades of experience 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 the day-to-day operations of the group, which has helped the group develop long-term relationships with its customers and suppliers. The group has a 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 the winding wire industry due to the presence of thousands of small industry players constituting the unorganised segment, RR Group has an established position as well as a brand name in the industry. This is primarily on account of a 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 achieved a revenue of Rs. 2288.46 crore in FY2022. The group's operating income stood at Rs. 2649.59 crore in FY2023. 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.

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. 280.32 crore as of March 31, 2022, as against Rs. 206.46 crore as of March 31, 2021. The improvement is mainly on account of the accretion of profits to reserves. The total debt decreased to Rs. 269.86 crore as of March 31, 2022, as against Rs. 360.83 crore as of March 31, 2021. The decrease in debt is due to lower utilisation of short-term debt as of March 31, 2022. The short-term debt stood at Rs. 135.76 crore for FY2022 as compared to Rs. 233.02 crore as of the financial year ending in FY2021. Other total debt includes long-term debt of Rs. 72.62 crore, USL from directors and promoters of Rs. 40.51 crore, and CPLTD of Rs. 20.97 crore. The group's overall gearing and TOL/TNW stood at 0.96 times and 1.55 times, respectively, as of March 31, 2022, as compared to 1.75 times and 2.12 times as of March 31, 2021. Interest coverage and NCA/total debt stood at 4.30 times and 0.27 times for FY2022, as against 2.50 times and 0.09 times for FY2021.

A capital expenditure is planned to be undertaken by GCPL towards increasing its production capacity by adding eight new machines and installing wind mills at its premises for captive use. The total project cost is Rs. 63.86 crore, which is to be funded by Rs. 50.00 crore of debt and the balance by internal accruals. The project is estimated to be completed in FY 2024. 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, with improvement in the gross current asset (GCA) days, which stood at 77 days as of March 31, 2022, as against 106 days as of March 31, 2021. The GCA days are driven by debtor and inventory days, which stood at 50 days and 21 days, respectively, as of March 31, 2022, as compared to 68 days and 33 days, respectively, as of March 31, 2021. GCPL's twelve-month average bank limit utilisation ranged between 65 and 80 percent for the period ended March 20, 2023. Acuite expects the working capital operations of the RR group to remain efficient on account of the 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 percent of the total operating income of the group, which indicates the vulnerability of profitability margins to fluctuations in raw material prices. It is the primary reason for the fluctuating trend of profitability margins, as evident from the continuous variation in operating margins for the last three years, i.e., 4.91 percent in FY2022, 4.04 percent in FY2021, and 4.26 percent in FY2020. Acuite 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 sufficient cash accruals against debt repayment obligations. The group generated cash accruals of Rs. 71.86 crore in FY2022 against repayment obligations of Rs. 21.00 crore for the same period. The gross accruals are expected to be in the range of Rs. 72–89 crore against debt repayment obligations of Rs. 22–30 crore for the period FY 2023–25. The GCA days stood at 77 days, and the unencumbered cash and bank balance stood high at Rs. 14.73 crore as

of March 31, 2022. GCPL's twelve-month average bank limit utilisation ranged between 65 and 80 percent for the period ended March 20, 2023. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	2288.46	1526.94
PAT	Rs. Cr.	54.18	15.73
PAT Margin	(%)	2.37	1.03
Total Debt/Tangible Net Worth	Times	0.96	1.75
PBDIT/Interest	Times	4.30	2.50

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 Mar 2022	Cash Credit	Long Term	11.15	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	0.95	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	0.65	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	11.78	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	23.85	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Proposed Term Loan	Long Term	1.62	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	0.35	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	3.22	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
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 BB-)
	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 BB-)
	Letter of Credit	Short Term	5.00	ACUITE A2 (Withdrawn)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A2 Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BBB+ Stable Reaffirmed
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB+ Stable Reaffirmed
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB+ Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.95	ACUITE BBB+ Stable Reaffirmed
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.62	ACUITE BBB+ Stable Reaffirmed
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	30.00	ACUITE BBB+ Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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.

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