

## Govind Cable Industries

	Amount	Rating Action
	Rs. Crore	December 2016
Fund-based Limits - Long Term	6.00 (enhanced from 5.00)	[ICRA] B; reaffirmed
Non-fund based Limits - Short Term	7.00 (enhanced from 5.00)	[ICRA] A4; reaffirmed
	<b>13.00</b>	

ICRA has reaffirmed its long-term rating of [ICRA]B (pronounced ICRA B) and short-term rating of [ICRA]A4 (pronounced ICRA A four) on the Rs. 13.00-crore (enhanced from Rs. 10.00 crore) bank facilities of Govind Cable Industries (GCI).

ICRA's ratings continue to derive comfort from the long track record of the partners in the cables industry and the firm's established relationships with its customers, including Bharat Heavy Electricals Limited (BHEL) and NTPC Limited. ICRA also draws comfort from the healthy order book position of the firm, which gives a healthy near term revenue visibility.

The ratings are, however, constrained by GCI's modest scale of operations and the highly competitive and fragmented nature of the industry it operates in, with the presence of numerous players in both organised and unorganised sectors. The ratings also take into account the firm's dependence on Government-related orders, as well as its exposure to high customer concentration risks, with ~45% of its operating income derived from BHEL, which results in an elongated receivables cycle and keeps its operations working capital intensive. GCI's stretched liquidity position is reflected by its almost fully utilised working capital limits. ICRA's ratings also factor in the susceptibility of the firm's profitability to raw material price fluctuations, given the large quantum of fixed price nature of orders, which may dampen the margins of the firm. Furthermore, the constitution of the entity as a partnership firm also renders it susceptible to capital withdrawals by the partners, which could adversely impact its credit metrics.

Going forward, GCI's ability to grow at a healthy growth rate while maintaining profitability and maintaining adequate liquidity will be the key rating sensitivities.

### Firm Profile

Govind Cable Industries (GCI) was established in 1978 to manufacture power, control and instrumentation cables mainly for steel and power sectors. The firm caters to Government entities or private dealers who supply to Government entities. The manufacturing facility is located at the industrial area of Sahibabad in Ghaziabad, Uttar Pradesh.

### Recent Results

GCI, reported an operating income of Rs.21.88 crore in FY2016 and a net profit of Rs.0.22 crore, as against an operating income of Rs.19.17 crore and a net profit of Rs.0.21 crore in FY2015.

**December 2016**



*For further details, please contact:*

*Analyst Contacts:*

**Mr. Sabyasachi Majumdar** (Tel. No. +91 124 4545304)  
sabyasachi@icraindia.com

**Mr. Manish Ballabh** (Tel. No. +0124-4545 812)  
manish.ballabh@icraindia.com

**Ms. Sugandha Arora** (Tel. No. +0124-4545 398)  
sugandha.arora@icraindia.com

**Mr. Vipin Jindal** (Tel. No. +0124-4545 355)  
vipin.jindal@icraindia.com

*Relationship Contacts:*

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500