

February 20, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	12.00	SMERA B+/Stable (Assigned)
Term Loan	2.00	SMERA B+/Stable (Assigned)
Letter of Credit	7.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA single B plus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Globe Precision Industries Pvt. Ltd. (GPIPL). The outlook is '**Stable**'.

The ratings are constrained by the company's weak financial risk profile, modest scale of operations, working capital intensive operations and exposure to customer concentration risk. However, the ratings are supported by the company's experienced management & strong business synergy between GPIPL & Him Teknoforge Limited (HTL).

GPIPL, incorporated in 1986, is a Baddi-based company engaged in machining of ferrous casting components & manufactures axles, gears & shafts for trucks & other automotive applications.

GPIPL's weak financial risk profile is marked by high gearing (debt-Equity ratio) of 1.73 times as on March 31, 2014 and moderate interest coverage ratio of 1.74 times in FY2013-14 as compared to 2.18 times in FY2012-13. Company has modest-scale operations marked by revenues of Rs.60.39 crore in FY2013-14 (refers to financial year, April 01 to March 31). GPIPL faces intense competition from several players in the auto component manufacturing industry.

GPIPL has working capital intensive operations, with gross current assets (GCA) in the range of 140-150 days over the past three years. Owing to these high working capital requirements, the company's cash credit limit of Rs.12.00 cr (enhanced from Rs. 11.00 crores in Oct-14) has high at ~97% over the past 14 months ending Dec-14.

GPIPL is exposed to customer concentration risk arising from high dependence on orders received from top customer namely Ashok Leyland Limited & International Tractors Limited (~65% sales in FY14). GPIPL derived around 84% of sales from its top five customers in FY2013-14.

GPIPL benefits from its experienced management. The directors of the company have more than two decades of experience in the auto component manufacturing industry and the company has established long standing relationship with its key customers and suppliers. GPIPL has strong business synergy with HTL on account of similarity in business operations, inter-company transactions and common promoter group (Aggarwal family).

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SMERA RATINGS LIMITED

Globe Precision Industries Private Limited (GPIPL)

*Rating
Rationale*

Outlook: Stable

SMERA believes that GPIPL will maintain its credit risk profile over the medium term, backed by its experience management and group synergies. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues while maintaining profitability. The outlook may be revised to 'Negative' in case of further deterioration in the company's financial risk profile or working capital management.

About the Company

GPIPL, incorporated in 1986, is a Baddi-based company engaged in machining of ferrous casting components & manufactures axles, gears & shafts for trucks & other automotive applications. GPIPL has manufacturing units at Baddi, Himachal Pradesh & Rudrapur, Uttaranchal.

For FY2013-14, GPIPL reported profit after tax (PAT) of Rs.1.36 crore on net sales of Rs.60.39 crore, as compared with PAT of Rs.1.67 crore on net sales of Rs.68.25 crore in FY2012-13. The company's net worth stood at Rs.14.29 crore as on March 31, 2014, as compared with Rs.12.93 crore a year earlier.

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