



SMERA RATINGS LIMITED

Globe Precision Industries Private Limited (GPIPL)

*Rating
Rationale*

May 05, 2016

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

SMERA has reaffirmed the long term rating of '**SMERA B+**' (read as **SMERA single B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.21.00 crore bank facilities of Globe Precision Industries Private Limited (GPIPL). The outlook is '**Stable**'. The ratings continue to remain constrained by the below average financial risk profile, modest scale of operations and exposure to customer concentration risk. However, the ratings draw comfort from the experienced management.

Update

GPIPL's revenues increased to Rs.71.44 crore in FY2014-15 (refers to financial year, April 01 to March 31) as compared to Rs.60.39 crore in FY2013-14 mainly on account of improvement in the commercial vehicle segment. Further, the company has earned gross revenues of around Rs.80.92 crore (provisional) in FY2015-16. The operating margins declined to 8.23 per cent in FY2014-15 compared to 9.28 per cent in FY2013-14 mainly on account of low realisations.

The company's overall gearing (debt-equity ratio) stood at 1.47 times as on March 31, 2015. The net worth stood at Rs.15.68 crore as on March 31, 2015. The interest coverage ratio and debt coverage ratio stand low at 1.61 and 0.97 times respectively in FY2014-15. The average cash credit utilisation stood at 91 per cent from October, 2015 to March, 2016.

Rating Sensitivity Factors

- Scaling up revenues while increasing profitability
- Efficient working capital management

Outlook: Stable

SMERA believes that the outlook on GPIPL's rated facilities will remain stable over the medium term on account of the company's experienced management. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues and profitability while achieving significant improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the company's revenues, profitability, or deterioration in the financial risk profile.

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About the Company

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

For FY2014-15, GPIPL reported profit after tax (PAT) of Rs.1.11 crore on operating income of Rs.71.44, as compared to PAT of Rs.1.36 crore on an operating income of Rs.60.39 crore in FY2013-14.

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