

Press Release

GLOBE PRECISION INDUSTRIES PRIVATE LIMITED

October 23, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 21.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (read as **SMERA 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. The outlook is '**Stable**'.

Globe Precision Industries Private Limited (GPIPL), incorporated in 1986, is a Himachal Pradesh-based company engaged in the machining of ferrous casting components. The company manufactures axles, gears and shafts for trucks and other automotive applications. The manufacturing units are located at Baddi, Himachal Pradesh and at Rudrapur, Uttarakhand. The combined installed capacity stands at 10,00,000 components per annum.

Key Rating Drivers

Strengths

• **Established track record of operations, experienced management**

GPIPL commenced operations in 1986. The company benefits from its long track record of operations. The Directors, Mr Vinod Aggarwal and Mrs Urmil Aggarwal have around two decades of experience in the auto component industry. SMERA believes that GPIPL will continue to benefit from its experienced management and synergies from being a part of a diverse group.

• **Increase in revenue**

The revenue increased to Rs.80.93 crore in FY2015-16 from Rs.71.44 crore in FY2014-15. Further, revenue stood at Rs.85.18 crore in FY2016-17 (Provisional). The growth is primarily on account of improvement in the commercial vehicle segment. From April to June 2017, GPIPL registered revenue of Rs.20.80 crore.

Weaknesses

• **Uneven operating margins**

The operating margins remained uneven at 7.28 per cent in FY2016-17 (Provisional) compared to 7.55 per cent in FY2015-16 and 8.23 per cent in FY2014-15 mainly on account of fluctuations in raw material prices.

• **Average financial risk profile**

GPIPL has average financial risk profile marked by tangible networth of Rs.17.98 crore as on 31 March, 2017 (Provisional) as against Rs.16.54 crore as on 31 March, 2016. The gearing stood at 1.68 times as on 31 March, 2017 (Provisional) compared to 1.79 times as on 31 March, 2016. The total debt of Rs.30.21 crore as on 31 March, 2017 (Provisional) mainly comprises working capital funding of Rs. 17.31 crore and term loan of Rs. 9.43 crore. GPIPL has modest interest coverage ratio of 1.65 times in FY2016-17 (Provisional) as against 1.55 times in FY2015-16. The company has weak debt service coverage ratio (DSCR) of 0.86 and 0.90 times respectively for FY2017 and FY2016. The gearing is expected to remain at the same level in the medium term in the absence of large debt funded capex.

• **Intense competition, customer concentration risk**

SMERA Ratings Limited

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GPIPL faces intense competition from several players in the auto component manufacturing industry. The company is exposed to customer concentration risk arising from high dependence on orders received from major customers including Ashok Leyland Limited and International Tractors Limited (~65 per cent sales in FY2017). GPIPL derived around 84 per cent sales from its top five customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of GPIPL to arrive at the rating.

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 revenue 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 revenue, profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), GPIPL reported profit after tax (PAT) of Rs.1.39 crore on operating income of Rs.85.18 crore, as against PAT of Rs.1.16 crore on operating income of Rs.80.93 crore in FY2015-16. The net worth stood at Rs.17.98 crore as on 31 March, 2017 (Provisional) compared to Rs.16.54 crore, a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-May-2016	Cash Credit	Long Term	INR 12	SMERA B+ / Stable
	Term Loan	Long Term	INR 2	SMERA B+ / Stable
	Letter of Credit	Short Term	INR 7	SMERA A4
20-Feb-2015	Cash Credit	Long Term	INR 12	SMERA B+ / Stable
	Term Loan	Long Term	INR 2	SMERA B+ / Stable
	Letter of Credit	Short Term	INR 7	SMERA A4

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4

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ABOUT SMERA

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