

Press Release

Globe Precision Industries Private Limited

September 20, 2018



Rating Reaffirmed and Assigned

| | |
|-------------------------------------|--|
| Total Bank Facilities Rated* | Rs. 29.00 Cr. (Enhanced from 21.00 Cr.) |
| Long Term Rating | ACUITE B+ / Outlook: Stable |
| Short Term Rating | ACUITE A4 |

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 21.00 crore bank facilities of Globe Precision Industries Private Limited (GPIPL). The outlook is '**Stable**'.

Further, Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to the Rs.8.00 crore bank facilities of Globe Precision Industries Private Limited (GPIPL). The outlook is '**Stable**'.

GPIPL was incorporated in 1986 by Mr. Vinod Aggarwal and Mrs. Urmil Aggarwal. The company is engaged in the business of manufacturing of Axles, Gears and Shafts for Tractors and other automotive applications.

Analytical Approach

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

Key Rating Drivers:

Strengths

- **Experienced management and long track record of operations**

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

- **Moderate financial risk profile**

Financial risk profile of GPIPL is moderate backed by net worth base of Rs.19.39 crore in FY2018 (Provisional) as compared to Rs.17.74 crore in the previous year. Out of the total debt of Rs.20.94 crore in FY2018 (Provisional), short term debt comprises Rs.9.80 crore, long term debt is Rs.7.66 crore and balance is in the form of unsecured loan. The gearing reduced to 1.08 times in FY2018 (Provisional) from 1.57 times in FY2017. Interest Coverage Ratio (ICR) improved to 1.78 times in FY2018 (Provisional) from 1.60 times in the previous year.

Weaknesses

- **Competitive nature of the business and customer concentration risk**

GPIPL faces intense competition from several players in the auto component manufacturing industry. GPIPL is exposed to customer concentration risk arising from high dependence on orders received from top customers, namely, Ashok Leyland Limited and International Tractors Limited (~70 percent sales in FY2018 Provisional). GPIPL derived around 84 percent of sales from its top five customers.

- **High supplier dependency**

GPIPL has high dependency on its group concern, Him Teknoforge Limited (HTL), for the key raw material that is forged steel. More than 80 percent of the forgings are bought from HTL and then processed to manufacture the finished product.

Outlook: Stable

Acuité believes that the outlook on GPIPL will remain 'Stable' over the medium term on account of the experienced management. The outlook may be revised to 'Positive' if the company improves its supplier network and reduces customer concentration. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the financial risk profile and higher supplier dependency.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 97.55 | 85.14 | 80.91 |
| EBITDA | Rs. Cr. | 6.70 | 5.95 | 6.10 |
| PAT | Rs. Cr. | 1.65 | 1.16 | 1.16 |
| EBITDA Margin | (%) | 6.87 | 6.99 | 7.54 |
| PAT Margin | (%) | 1.69 | 1.36 | 1.44 |
| ROCE | (%) | 13.36 | 11.11 | 12.45 |
| Total Debt/Tangible Net Worth | Times | 1.08 | 1.57 | 1.79 |
| PBDIT/Interest | Times | 1.78 | 1.60 | 1.55 |
| Total Debt/PBDIT | Times | 3.05 | 4.58 | 4.75 |
| Gross Current Assets (Days) | Days | 104 | 162 | 131 |

Status of non-cooperation with previous CRA

Not Available

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|--------------|---------------------------------|------------|------------------|---------------------------------|
| 23-Oct-2017 | Cash Credit | Long Term | 12.00 | ACUITE B+ / Stable (Reaffirmed) |
| | Term Loan | Long Term | 2.00 | ACUITE B+ / Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 7.00 | ACUITE A4 (Reaffirmed) |
| 05- May-2016 | Cash Credit | Long Term | 12.00 | ACUITE B+ / Stable (Reaffirmed) |
| | Term Loan | Long Term | 2.00 | ACUITE B+ / Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 7.00 | ACUITE A4 (Reaffirmed) |
| 20-Feb-2015 | Cash Credit | Long Term | 12.00 | ACUITE B+ / Stable (Assigned) |
| | Term Loan | Long Term | 2.00 | ACUITE B+ / Stable (Assigned) |
| | Letter of Credit | Short Term | 7.00 | ACUITE A4 (Assigned) |

*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 | 14.00 | ACUITE B+ / Stable (Reaffirmed) |
| Term loans I | Not Applicable | Not Applicable | Not Applicable | 9.57 | ACUITE B+ / Stable (Assigned) |
| Term loans II | Not Applicable | Not Applicable | Not Applicable | 4.43 | ACUITE B+ / Stable (Reaffirmed) |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 1.00 | ACUITE A4 (Reaffirmed) |

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECA I), for Bank Loan Ratings under BAsel-II norms in the year 2012. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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