

## Press Release

Globe Precision Industries Private Limited

November 27, 2018



### Rating Upgraded

<b>Total Bank Facilities Rated*</b>	Rs. 29.00 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable (Upgraded from ACUITE B+)
<b>Short Term Rating</b>	ACUITE A4+ (Upgraded from ACUITE A4)

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE BB-**' (read as ACUITE double B minus) from '**ACUITE B+**' (read as ACUITE B plus) and short term rating to '**ACUITE A4+**' (read as ACUITE A four plus) from '**ACUITE A4**' (read as ACUITE A four) to the Rs. 29.00 crore bank facilities of Globe Precision Industries Private Limited (GPIPL). The outlook is '**Stable**'.

The rating revision is in view of better revenue visibility and margins in near to medium term. Acuité understands, the company has received additional orders from existing customers for which the company is setting up a new manufacturing unit, hence giving a healthy revenue visibility going ahead. The rating continues to draw comfort from the experienced management, reputed clientele base, improving debt protection metrics and profitability margins.

GPIPL was incorporated in 1986 by Mr. Vinod Aggarwal and Mrs. Urmil Aggarwal. It 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.19.40 crore in FY2018 as compared to Rs.17.74 crore in the previous year. Out of the total debt of Rs.20.74 crore in FY2018, 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 1.07 times in FY2018 from 1.57 times in FY2017. Interest Coverage Ratio (ICR) improved to 1.78 times in FY2018 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). GPIPL derived around 84 percent of sales from its top five customers.

- **Project off-take risk**

GPIPL is going to set up an additional plant in Baddi (Himachal Pradesh) which in turn would increase the plant capacity from 48000 nos. to 72000 nos. per month owing to increased demand from the key customer, International Tractor Limited (ITL). Entire project would cost approximately Rs.20.00 crore which will be funded through a mix of additional bank facility, promoters' capital infusion and support from ITL. Off-take of the project will be a key considerable.

## Outlook: Stable

Acuité believes that the outlook on GPIPL 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 proceeds with smooth off-take of the project and diversified customer base. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the financial risk profile and bottlenecks in the off-take of the expansion project.

## About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	97.59	85.14	80.91
EBITDA	Rs. Cr.	6.80	5.95	6.10
PAT	Rs. Cr.	1.62	1.16	1.16
EBITDA Margin	(%)	6.97	6.99	7.54
PAT Margin	(%)	1.66	1.36	1.44
ROCE	(%)	13.43	11.11	12.45
Total Debt/Tangible Net Worth	Times	1.07	1.57	1.79
PBDIT/Interest	Times	1.78	1.60	1.55
Total Debt/PBDIT	Times	3.01	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
20-Sep-2018	Cash Credit	Long Term	14.00	ACUITE B+ / Stable (Reaffirmed)
	Term Loan I	Long Term	9.57	ACUITE B+ / Stable (Assigned)
	Term Loan II	Long Term	4.43	ACUITE B+ / Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A4 (Reaffirmed)
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 BB-/ Stable (Upgraded from ACUITE B+)
Term loans I	Not Applicable	Not Applicable	Not Applicable	9.57	ACUITE BB-/ Stable (Upgraded from ACUITE B+)
Term loans II	Not Applicable	Not Applicable	Not Applicable	4.43	ACUITE BB-/ Stable (Upgraded from ACUITE B+)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Upgraded from ACUITE A4)

## Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Kunal Khera Analyst - Rating Operations Tel: 022-49294042 <a href="mailto:kunal.khera@acuite.ratings.in">kunal.khera@acuite.ratings.in</a>	

### 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 (ECAI), for Bank Loan Ratings under BAA SEL-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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.