

## 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

Acuite 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. Acuite 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

Acuite 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 consideration.

## Outlook: Stable

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

### About Acuité Ratings & Research:

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