Press Release

Globe Hi-Fabs LLP (GHF)

March 20, 2017

Rating Upgraded

Total Bank Facilities Rated*	Rs.17.50 Cr (Enhanced from Rs.15.00 Cr.)
Long Term Rating	SMERA B/Stable (Upgraded from SMERA B-/Stable)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has upgraded the long-term rating of **'SMERA B' (read as SMERA B)** from **'SMERA B-' (read as SMERA B minus)** and reaffirmed the short term rating of **'SMERA A4 (read as SMERA A four)** on the Rs.17.50 crore bank facilities of Globe Hi-Fabs LLP (GHF). The outlook is **'Stable'**.

Globe Hi-Fabs LLP (GHF) was incorporated in 1965 as a partnership firm by Mr. Rajiv Chopra and Mr. Aman Chopra. GHF is engaged in the manufacturing of aviation refueling equipment, construction of hydrant refueling systems and distribution of aviation ground refueling equipments. The firm purchases raw material such as steel, pipes, meter and valve from clients across India and overseas to manufacture aviation refuelling equipment and sell the same to oil companies in India and overseas.

The rating upgrade takes into account the growth in revenue, improvement in profitability and working capital cycle. SMERA also notes that the firm has moderate gearing. However, the firm has small scale of operations.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced management: GHF was incorporated in 1982. The promoters Mr. Rajiv Chopra and Mr. Aman Chopra possess over two decades of experience in the Engineering industry.

Moderate financial risk profile: The firm has moderate financial risk profile marked by moderate gearing debt-to-equity at 1.22 times as on 31 March, 2016 against 1.19 times in FY2014-15. The interest coverage ratio stood at 1.32 times in FY2015-16 against 1.92 times in FY2014-15. The profitability margin improved to 3.61 percent in FY2015-16 against 0.71 percent in FY2014-15. The debt service coverage ratio stood at 1.43 times in FY2015-16 against 1.96 times in FY2014-15. The profitability stood at Rs.0.82 cr in FY2015-16 against Rs.0.11 cr in FY2014-15.

Reputed clientele: GHF derives support from its reputed customers such as Bharat Petroleum Corporation Ltd., Hindustan Petroleum Corporation Ltd., NALCO, Indian Oil Corp. Ltd., Reliance Industries Ltd., JSW Steel Ltd among others.

Weaknesses:

Small scale of operations: Despite its long presence in the industry, the scale of operations continues to remain small at Rs.22.61 cr. The firm registered improvement in operating income to Rs. 22.61 cr in 2015-16 from Rs. 16.29 cr during the previous year.

Tender driven business: The nature of business is tender based. The firm bids for tenders floated by government authorities - India Oil, Hindustan Petroleum, Bharat Petroleum among others. The revenues are susceptible to tenders floated and won.

Susceptibility of profit margins to raw material prices: The profit margins are susceptible to fluctuations in the raw material steel.

Intense competition: The firm faces intense competition from various players in India and overseas which is likely to impact operating performance and profitability.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the Firm.

Applicable Criteria

- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Application of Financial Ratios and Adjustments: https://www.smera.in/criteria-fin-ratios.htm
- Default Recognition: https://www.smera.in/criteria-default.htm

Outlook: Stable

SMERA believes that the outlook of GHF will remain stable owing to the extensive experience of the promoters in the business. The outlook may be revised to 'Positive' if the firm is able to scale up operations with improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration in the overall gearing or further weakening of profitability margins.

About the Rated Entity

The Faridabad based, Globe Hi-Fabs LLP was incorporated in 1965 as a partnership firm by Mr. Rajiv Chopra and Mr. Aman Chopra. GHF is engaged in the manufacturing of aviation refuelling equipment, construction of hydrant refuelling systems and distribution of aviation ground refuelling equipment's.

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.82 cr on operating income of Rs.22.61 cr, as compared with PAT of Rs.0.11 cr on operating income of Rs.16.29 cr in FY2014-15. The net worth stood at Rs.6.21 cr (included quasi equity of Rs.2.42 crore) as on 31 March, 2016 against Rs.5.93 cr (included quasi equity of Rs.2.43 crore) a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amt. (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit*	LT	4.00 (enhanced from 2.00)	SMERA B/ Stable (Upgraded)	March 15, 2016	SMERA B-/ Stable (Assigned)	-	-	-	-
Working Capital Demand Loan	LT	-	SMERA B-/ Stable (Withdrawn)	March 15, 2016	SMERA B-/ Stable (Assigned)	-	-	-	-
Working Capital Term Loan	LT	1.33 (reduced from 2.00)	SMERA B/ Stable (Upgraded)	March 15, 2016	SMERA B-/ Stable (Assigned)	-	-	-	-
Packing Credit	ST	4.00	SMERA B/ Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	8.00 (enhanced from 7.00)	SMERA A4 (Reaffirmed)	March 15, 2016	SMERA A4 (Assigned)	-	-	-	-
Proposed Long Term	LT	0.17	SMERA B/ Stable (Assigned)	-	-	-	-	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit*	N.A	N.A	N.A	4.00 (enhanced from 2.00)	SMERA B/Stable (Upgraded from SMERA B-/Stable)
Working Capital Demand Loan	N.A	N.A	N.A	--	SMERA B-/ Stable (Withdrawn)
Working Capital Term Loan	N.A	N.A	N.A	1.33 (reduced from 2.00)	SMERA B/Stable (Upgraded from SMERA B-/Stable)
Packing Credit	N.A	N.A	N.A	4.00	SMERA A4 (Assigned)
Bank Guarantee	N.A	N.A	N.A	8.00 (enhanced from 7.00)	SMERA A4 (Reaffirmed)
Long Term Proposed	N.A	N.A	N.A	0.17	SMERA B/Stable (Assigned)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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