

Press Release

Globe Hi-Fabs LLP (GHF)

24 March, 2018



Rating Upgraded & Assigned

Total Bank Facilities Rated*	Rs.19.00 Crore (Enhanced from Rs.17.50 Crore)
Long Term Rating	SMERA B+/Outlook: Stable (Upgraded from SMERA B)
Short Term Rating	SMERA A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA B+**'(read as **SMERA B plus**) from '**SMERA B**' (read as **SMERA B**) 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**'. Further, SMERA has assigned the short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.1.50 crore bank facilities of Globe Hi-Fabs LLP (GHF). The outlook is '**Stable**'.

The upgrade is in view of improvement in profitability margins, healthy order book position, comfortable gearing and a moderate working capital cycle of the company.

The Delhi-based Globe Hi-Fabs LLP (GHF) was incorporated in 1965 as a partnership firm promoted 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. The raw materials such as steel, pipes, and meter valve are purchased from clients across India and overseas to manufacture aviation refuelling equipment and supplies the same to oil companies in domestic as well as foreign market.

Key rating drivers

Strengths

Established track record of operations and experienced management

GHF incorporated in 1966 is promoted by Mr. Rajiv Chopra and Mr. Aman Chopra. The promoters have over four decades of experience in the Engineering Industry which has helped them achieve a long term relationship with the customers and suppliers along with an in-depth industry and market understanding.

Moderate financial risk profile

The financial risk profile of the firm has remained moderate marked by net worth of Rs. 6.09 crore as on 31 March, 2017 as against Rs. 6.21 crore as on 31 March, 2016. The gearing stood at 1.35 times as on 31 March, 2017 as against 1.22 times as on 31 March, 2016. The total debt of Rs. 8.24 crore outstanding as on 31 March, 2017 constitutes long term debt of Rs.1.47 crore and

Rs. 6.77 crore as a working capital facility from the bank. The ICR stood at 1.55 times in FY2017 as against 1.43 times in FY2016. The net cash accruals of the firm have marginally improved to Rs. 1.22 crore in FY2017 as against Rs. 0.91 crore in FY2016. NCA/TD ratio has increased to 0.15 times in FY2017 as against 0.12 times in FY2016.

Reputed clientele

Over the years, GHF has established relationship with reputed customers such as Bharat Petroleum Corporation Ltd., Hindustan Petroleum Corporation Ltd., NALCO, Indian Oil Corp. Ltd., and Reliance Industries Ltd. which will help in procuring orders and increase therevenue.

Improvement in profitability margins

GHF recorded improvement in profitability margins as EBITDA margins stood at 14.36 percent in FY2017 as against 12.46 percent in FY2016, on account of reduced raw material cost. Profit after Tax margin also improved to 4.90 percent in FY2017 from 3.61 percent in FY2016.

Weaknesses

Tender driven business

The firm operates in a competitive and fragmented industry with various players in India as well as overseas. The performance of the firm is susceptible to the tender based nature of activities and intense competition among players bidding for contracts from Public Sector Undertakings such as Indian Oil, Hindustan Petroleum and Bharat Petroleum amongstothers.

Susceptibility of profit margins to raw material prices and forex fluctuations

GHF imports aviation fuel components primarily from USA while material used in manufacturing such as steel is procured from domestic market. Hence, margins are susceptible to volatility associated with raw material prices and foreign exchangefluctuation.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Globe Hi-Fabs LLP (GHF) to arrive at the rating.

Outlook - Stable

SMERA believes that the firm will maintain a 'Stable' outlook over the medium term on account of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenue and cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	22.96	22.61	16.29
EBITDA	Rs. Cr.	3.30	2.82	2.78
PAT	Rs. Cr.	1.13	0.82	0.11
EBITDA Margin (%)	(%)	14.36	12.46	17.06
PAT Margin (%)	(%)	4.90	3.61	0.71
ROCE (%)	(%)	22.82	21.57	12.67
Total Debt/Tangible Net Worth	Times	1.35	1.22	1.19
PBDIT/Interest	Times	1.55	1.43	1.96
Total Debt/PBDIT	Times	2.44	2.49	2.48
Gross Current Assets (Days)	Days	168	178	271

Any other information:

Not Applicable

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>

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

None

Rating History (Upto last three years):

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
20-March-2017	Cash Credit	Long Term	4.00 (Enhanced from Rs.2.00 Cr.)	SMERA B/Stable (Upgraded from SMERA B-/Stable)
	Working Capital Term Loan	Long Term	1.33 (Reduced from Rs.2.00 Cr.)	SMERA B/Stable (Upgraded from SMERA B-/Stable)
	Packing Credit	Short Term	4.00	SMERA A4 (Assigned)
	Bank Guarantee	Short Term	8.00 (Enhanced from Rs.7.00 Cr.)	SMERA A4 (Reaffirmed)

	Proposed Long Term	Long Term	0.17	SMERA B/Stable (Assigned)
15-March-2016	Cash Credit	Long Term	2.00	SMERA B-/Stable (Assigned)
	Working Capital Demand Loan	Long Term	4.00	SMERA B-/Stable (Assigned)
	Working Capital Term Loan	Long Term	2.00	SMERA B-/Stable (Assigned)
	Bank Guarantee	Short Term	7.00	SMERA A4 (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	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00 (Reduced from Rs.1.33 Cr.)	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4 (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	10.00 (Enhanced from Rs.8.00 Cr.)	SMERA A4 (Reaffirmed& Assigned)

Contacts:

Analytical	Rating Desk
Suman Chowdhury President – SMERA Bond Rating Tel: +91-22-6714 1107 Email: suman.chowdhury@smera.in Swati Banthia, Rating Analyst, Tel: +91-22-6714 1116	VarshaBist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

Email: swati.bantri@smera.in

ABOUT SMERA

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