

Press Release

Globe Hi-Fabs LLP

December 26, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 19.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Upgraded from ACUITE B+)
Short Term Rating	ACUITE A4+ (Upgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE B+**' (read as **ACUITE B plus**) and the short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from **ACUITE A4** (read as **ACUITE A four plus**) on the Rs. 19.00 cr. bank facilities of Globe Hi-Fabs LLP (GHF). The outlook is '**Stable**'.

The upgrade is in view of an improvement in its business risk profile marked by a healthy order book position thereby lending comfortable revenue visibility over the medium term.

Incorporated in 1965, the Delhi-based Globe Hi-Fabs LLP (GHF) is a partnership firm promoted 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 equipment in India.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of GHF to arrive at the rating.

Key Rating Drivers

Strengths

• Long track record of operations

GHF has an established track record of more than four decades in the manufacturing of aviation refueling equipment. With the presence of limited number of players in the industry, the company has been able to position itself as a niche player with comfortable market share of over 40 percent. The company being an authorized dealer of Eston Carter, USA, which is one of the major international manufacturers of ground refueling equipment, further strengthens its market position. The company also serves as an OEM distributor for reputed brands such as Gammon Technical Products, USA Parker Warner Lewis, USA and Musthane, France.

• Reputed clientele and healthy order book

The established position of GHF and extensive experience of promoters have helped the company to garner repeat tender from reputed public sector entities including Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation Limited (BPCL) and Indian Oil Corporation Limited (IOCL). The company also caters to private sector entities such as Reliance Industries Limited (RIL) and overseas clients including Elta Systems Limited (Israel) and Nepal Oil Corporation Limited (Nepal). GHF has Rs 29.87 crore of unexecuted order book as on October, 2018 providing revenue visibility in the medium term.

• Moderate financial risk profile

The financial risk profile of the firm has remained moderate marked by modest net worth and gearing and healthy debt protection metrics. The net worth stood at Rs. 7.56 crores as on 31 March 2018 as against Rs. 6.09 crores as on 31 March 2017. Additionally, Acuite has considered Rs. 3.53 crore of unsecured loans as quasi equity as the same has been subordinated to the bank. The gearing improved from 1.35 times as on 31 March 2017 to 1.00 times as on 31 March 2018 on account of steady accruals. The total debt of Rs. 7.57 crores outstanding as on 31 March 2018 comprises long term debt of Rs.1.15 crores term loan from bank and Rs. 6.42 crores as a working capital facility from the bank. The interest coverage ratio stood at 1.99 times in FY2018 as against 1.67 times in FY2017. NCA/TD ratio has increased to 0.17 times in FY2018 as against 0.15 times in FY2017.

Weaknesses

• Moderate scale of operations on account of tender based nature of business and long gestation period

GFH's scale of operations is moderate as reflected by operating revenue of Rs 24.61 Crore in FY2018 as against Rs 22.96 Crore in FY2017 on account of tender based nature of business. Additionally, the long gestation period, high degree of technical knowhow and labour intensive nature of operations constrains company's ability to significantly ramp up its operations. As on November 31, 2018, the company has registered a healthy turnover of around Rs 22.50 Crore (provisional).

• Susceptibility of profit margins to forex fluctuations

GFH imports aviation fuel components primarily from USA which forms more than 40 percent of the main component required. Hence margins are susceptible to volatility associated forex.

Outlook: Stable

Acuite believes that the firm will maintain a stable outlook over the medium term on account of its experienced management and reputed clientele. 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 or decline in revenue profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	24.61	22.96	22.61
EBITDA	Rs. Cr.	3.18	2.96	2.82
PAT	Rs. Cr.	1.17	1.13	0.82
EBITDA Margin	(%)	12.91	12.89	12.46
PAT Margin	(%)	4.76	4.91	3.61
ROCE	(%)	20.49	20.46	21.57
Total Debt/Tangible Net Worth	Times	1.00	1.35	1.22
PBDIT/Interest	Times	1.99	1.65	1.43
Total Debt/PBDIT	Times	2.38	2.71	2.49
Gross Current Assets (Days)	Days	190	168	178

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
24-Mar-2018	Cash Credit	Long Term	4.00	ACUITE B+ / Stable (Upgraded)
	Working Capital Term Loan	Long Term	1.00	ACUITE B+ / Stable (Upgraded)
	Packing Credit	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	10.00 (Enhanced from Rs 8.00 Crore)	ACUITE A4 (Assigned)
20-March-2017	Cash Credit	Long Term	4.00 (Enhanced from Rs.2.00 Cr.)	ACUITE B/Stable (Upgraded from ACUITE B-/Stable)
	Working Capital Term Loan	Long Term	1.33 (Reduced from Rs.2.00 Cr.)	ACUITE B/Stable (Upgraded from ACUITE B-/Stable)
	Packing Credit	Short Term	4.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	8.00 (Enhanced from Rs.7.00 Cr.)	ACUITE A4 (Reaffirmed)
	Proposed Long Term	Long Term	0.17	ACUITE B/Stable (Assigned)
15-March-2016	Cash Credit	Long Term	2.00	ACUITE B-/Stable (Assigned)
	Working Capital Demand Loan	Long Term	4.00	ACUITE B-/Stable (Assigned)
	Working Capital Term Loan	Long Term	2.00	ACUITE B-/Stable (Assigned)
	Bank Guarantee	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB/ Stable (Upgraded)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB/ Stable (Upgraded)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Upgraded)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Upgraded)
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About Acuité Ratings & Research:

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