

Press Release

Globe Hi-Fabs LLP

August 26, 2019



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs.24.00 Cr. (Enhanced from Rs.19.00 crore)
Long Term Rating	ACUITE BB+ / Outlook: Stable (Upgraded and Assigned)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) and reaffirmed the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.23.53 crore bank facilities of GLOBE HI FABS LLP (GHF). The outlook is '**Stable**'.

Further, Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.00.47 crore bank facilities of GLOBE HI FABS LLP (GHF). The outlook is '**Stable**'.

The upgrade is on account of sequential improvement in GHF's business and financial risk profile. The revenues of the firm have sequentially improved to Rs. 36.00 crore in FY 2018-19 compared to Rs. 22.96 crore in FY 2016-17, while sustaining its EBITDA margins and its working capital cycle. The upgrade also reflects Acuite's expectations of further improvement in scale of operations, on the back of its healthy order book of Rs.57.12 crore as on August 2019.

Faridabad-based, Globe Hi Fabs LLP (GHF) (erstwhile Globe Hi Fabs) was established in the year 1965 as a partnership firm and later converted into a limited liability partnership in 2014. The firm was established by Mr. Kishan Kumar. Currently, the operations of the firm are being looked after by Mr. Rajiv Chopra and Mr. Aman Chopra. The firm is engaged in the manufacturing of aviation refueling equipment, construction of hydrant refueling systems and distribution of aviation ground refueling equipment in India. Further, the firm provides these solutions to airports in countries such as Sri Lanka, Iran, United Arab Emirates to name a few.

Analytical Approach

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

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

Established in 1966, GHF is primarily engaged as a manufacturer of aviation refueling equipment, construction of hydrant refueling systems and distribution of aviation ground refueling equipment for the past five decades. The firm is promoted by Mr. Aman Chopra and Mr. Rajiv Chopra, who are seasoned players in the aforementioned industry having extensive experience around four decades. This has enabled the firm to maintain longstanding relations with its customers. Acuite believes that GHF will continue to derive benefit from its experienced management over the medium term.

- **Reputed clientele and healthy order book position**

Over the years, the firm has successfully executed projects for many reputed clients such as Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Reliance Industries Limited (RIL), to name a few. GHF, currently, has a healthy order book position of Rs.57.12 crore to be executed in the current financial year, which lends comfortable revenue visibility over the medium to long term.

- **Moderate financial risk profile**

The financial risk profile of the firm is moderate marked by average net worth, gearing and healthy debt protection metrics. The net worth stood at Rs. 10.02 crores as on 31 March, 2019 as against Rs.7.56 crores as on 31 March, 2018. Additionally, Acuité has considered Rs. 4.52 crore of unsecured loans as quasi equity as the same has been subordinated to the bank. The gearing improved from 1.00 times as on 31 March, 2018 to 0.78 times as on 31 March, 2019 on account of steady accruals. The total debt of Rs. 7.82 crores outstanding as on 31 March, 2019 comprises long term debt of Rs.0.69 crores term loan from bank and Rs. 7.13 crores as a working capital facility from the bank. The interest coverage ratio improved to 2.98 times in FY2019 as against 1.98 times in FY2018. NCA/TD ratio has increased to 0.38 times in FY2019 as against 0.17 times in FY2018.

Weaknesses

- **Working capital intensive nature of operations**

Operations of GHF are working capital intensive marked by Gross Current Asset (GCA) of 163 days in FY2019 as compared to 190 days in FY2018. This is on account of debtors' collection period of 92 days in FY2019 as against 111 days in FY2018 and inventory holding period of 71 days in FY2019 as against 59 days in FY2018. Current ratio of the firm stood moderate at 1.19 times as on 31 March, 2019 as against 1.22 as on 31 March, 2018. Acuité believes that the working capital operations of GHF will continue to remain working capital intensive over the medium term.

- **Customer concentration**

GHF is exposed to customer concentration risk as the firm derives 77.86 per cent of its operating income from top three client's i.e. BPCL, HPCL and Indian Oil Skytanking Private Limited.

Liquidity Position:

GHF has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs. 2.94 crore for FY2019 against debt obligations of Rs. 0.49 crore for the same period. The cash accruals of the firm are estimated to remain in the range of around Rs.6.85 crore to Rs. 12.51 crore during FY2020-22 against repayment obligations of Rs. 0.20 crore. The firm's working capital operations are intensive marked by gross current asset (GCA) of 163 days for FY2019. The firm maintains unencumbered cash and bank balances of Rs. 0.17 crore as on 31 March, 2019. The current ratio stood at 1.23 times as on 31 March, 2019. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of adequate cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that GHF will maintain a 'Stable' business risk profile over the medium term. The firm will continue to benefit from its experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the firm registers substantial and sustained growth in revenues from the current levels while maintaining its operating margins and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital management, thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	36.00	24.61	22.96
EBITDA	Rs. Cr.	6.51	3.18	2.96
PAT	Rs. Cr.	2.82	1.17	1.13
EBITDA Margin	(%)	18.08	12.91	12.89
PAT Margin	(%)	7.84	4.76	4.91
ROCE	(%)	38.72	20.49	20.46
Total Debt/Tangible Net Worth	Times	0.78	1.00	1.35
PBDIT/Interest	Times	2.98	1.99	1.65
Total Debt/PBDIT	Times	1.18	2.38	2.71
Gross Current Assets (Days)	Days	163	190	168

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
26-Dec-2018	Cash Credit	Long Term	4.00	ACUITE BB/ Stable (Upgraded from ACUITE BB-/Stable)
	Working Capital Term Loan	Long Term	1.00	ACUITE BB/ Stable (Upgraded from ACUITE BB-/Stable)
	Packing Credit	Short Term	4.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Bank Guarantee	Short Term	10.00	ACUITE A4+ (Upgraded from ACUITE A4)
24-Mar-2018	Cash Credit	Long Term	4.00	ACUITE B+ / Stable (Upgraded from ACUITE B/Stable)
	Working Capital Term Loan	Long Term	1.00	ACUITE B+ / Stable (Upgraded from ACUITE B/Stable)
	Packing Credit	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	10.00 (Enhanced from 8.00)	ACUITE A4 (Assigned)
20-Mar-2017	Cash Credit	Long Term	4.00 (Enhanced from Rs.2.00 Cr.)	ACUITE B/Stable (Upgraded from ACUITE B-/Stable)
	Working	Long Term	1.33	ACUITE B/Stable

	Capital Term Loan		(Reduced from Rs.2.00 Cr.)	(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)

***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	4.00	ACUITE BB+ / Stable (Upgraded from ACUITE BB/Stable)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	0.53	ACUITE BB+ / Stable (Upgraded from ACUITE BB/Stable)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.47	ACUITE BB+/ Stable (Assigned)

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About Acuité Ratings & Research:

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