



Press Release

GLOBE HI-FA BS LLP

February 16, 2022

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	15.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	24.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 24.00 crore bank facilities of Globe Hi-Fabs LLP (GHF). The outlook is '**Stable**'.

About the Company

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. The firm generates its revenues by domestic operations as well as globally to countries like Kuwait, Bangladesh, Indonesia and Egypt to name a few.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management

GHF is promoted by Mr. Aman Chopra and Mr. Rajiv Chopra. The promoters have a combined experience over 6 decades in the aviation refueling equipment, construction of hydrant refueling systems and distribution of aviation ground refueling equipment. The top management of the firm is aided by an equally experienced second line of management personnel. The firm has been able to establish a long and healthy relationship with its customers and suppliers owing to the promoter's rich experience and the long track record of operations of over 55 years. Acuité believes GHF will continue to benefit over the medium term from its longstanding association with its key supplier as well as customers.

Average financial risk profile

The financial risk profile of the firm is average marked by average net worth, gearing and healthy debt protection metrics. The net worth declined to Rs. 8.47 crores as on 31 March, 2021 as against Rs.8.89 crores as on 31 March, 2020 including Rs. 3.89 crore of unsecured loans

as quasi equity as the same has been subordinated to the bank. The gearing moderated from 0.39 times as on 31 March, 2020 to 0.98 times as on 31 March, 2021 on account of increase in utilization of short term facilities. The total debt of Rs. 8.33 crores outstanding as on 31 March, 2021 comprises long term debt of Rs.0.10 crores and Rs. 8.24 crores as a working capital facility from the bank. The interest coverage ratio declined to 2.00 times in FY 2021 as against 2.54 times in FY 2020. NCA/TD ratio has moderated to 0.16 times in FY 2021 as against 0.69 times in FY 2020.

Weaknesses

Working Capital Intensive Operations

The working capital operations of GHF is stretched marked by increase in Gross Current Asset days of 173 days in FY 2021 against 113 days in FY 2020 due to disruption in sales caused by Covid 19 pandemic. The debtor collection period has increased to 99 days in FY 2021 from 17 days in FY 2020. The stretch in payment cycle of debtors has increased because of delayed payments by customers due to covid related issues. Further, the inventory holding period has decreased from 75 days in FY 2020 to 55 days in FY 2021. As a result the bank utilization level stood at 66% from period of July 2021 to December 2021.

Customer Concentration Risk and lack of revenue visibility

GHF faces customer concentration risk as around 51 percent of the firm's total sales in FY 2021 was generated via top three customers viz. China National Chemical Engineering, Indian Oil Corporation Limited and Indian Oil Skytanking limited while the same trend continued in the previous years as well. Moreover, the current unexecuted orderbook position of the firm stood low at Rs. 10.06 crores for the current year, which has caused a decline in revenue visibility of the firm. GHF operates in an industry with a tender based nature of operations which makes the firm dependent on repeated orders from the clients to sustain the scale of operations. Further, the industry is regulated by norms from various regulatory authorities. However, the risks are mitigated to a certain degree due to long track record of operations of the firm. Acuité believes that periodic replenishment of the order-book position and customer diversification will remain the key to the improvement in the business risk profile of the firm.

Rating Sensitivities

- Significant improvement in the scale of operations with improvement in profitability, improvement of the financial risk profile and working capital operations.
- Deterioration in working capital or financial risk profile due to debt-funded capex.

Material covenants

None.

Liquidity Position

Adequate

GHF has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs. 1.31 crore for FY 2021 against nil debt obligation. The cash accruals of the firm are estimated to remain in the range of around Rs. 1.11 crore to Rs. 3.22 crore during FY2022-23 against repayment obligations of 0.31 crore each year for the same period. The firm's working capital operations are intensive marked by gross current asset (GCA) of 173 days for FY 2021. The firm maintains unencumbered cash and bank balances of Rs. 0.09 crore as on 31 March, 2021. The current ratio stood at 1.13 times as on 31 March, 2021. 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 relationship with customers and suppliers. 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 the 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	31.10	51.24
PAT	Rs. Cr.	0.92	1.96
PAT Margin	(%)	2.97	3.83
Total Debt/Tangible Net Worth	Times	0.98	0.39
PBDIT/Interest	Times	2.00	2.54

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

Not Applicable.

Any other information

Not Applicable.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Nov 2020	Packing Credit	Long Term	4.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.53	ACUITE BB+ (Withdrawn)
	Proposed Bank Facility	Long Term	0.47	ACUITE BB+ (Withdrawn)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Reaffirmed)
26 Aug 2019	Working Capital Term Loan	Long Term	0.53	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Packing Credit	Short Term	4.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.47	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
26 Dec 2018	Cash Credit	Long Term	4.00	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)
	Working Capital Term Loan	Long Term	1.00	ACUITE BB Stable (Upgraded from ACUITE B+ 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	ACUITE A4 (Assigned)
20 Mar 2017	Cash Credit	Long Term	4.00	ACUITE B Stable (Upgraded from ACUITE B- Stable)
	Working Capital Demand Loan	Long Term	1.33	ACUITE B Stable (Upgraded from ACUITE B- Stable)
	Packing Credit	Short Term	4.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	8.00	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.17	ACUITE B Stable (Assigned)
15 Mar 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)
		Short		

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Oriental Bank of Commerce	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ Reaffirmed
Oriental Bank of Commerce	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+ Stable Reaffirmed
Oriental Bank of Commerce	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in KanjurMarg, Mumbai.

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