

Press Release

Globe Panel Industries India Private Limited

May 09, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 30.80 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) on the Rs. 30.80 crore bank facilities of Globe Panel Industries India Private Limited. The outlook is '**Stable**'.

The Haryana-based Globe Panel Industries India Private Limited (Globe Panel) incorporated in 2010 was promoted by Mr. Sanjeev Agrawal, Mr. Sourav Agrawal and Mr. Rajan Agrawal. The company is engaged in the manufacturing of plywood, mica, laminates and doors primarily used in the furniture industry. The company sells its products under the 'G L Plywood' brand. The company is the result of the merger of six companies (Rajan Steel, Agro Steel & Casting, Reena Agro Production, Globe Engineering, S. N. Steel Corporation & Indo British Engineering Co. Pvt Ltd.) which were in the same line of business. In May FY2016, the company acquired Futuristic Sales Private Limited.

Key Rating Drivers

Strengths

• Experienced management

The key promoter, Mr. Sarwan Agarwal (Chairman) possesses experience of over two decades in the furniture industry. Directors, Mr. Sanjeev Agrawal, Mr. Sourav Agrawal and Mr. Rajan Agrawal manage the day-to-day operations of the company and is ably supported by the second line of management.

• Moderate financial risk profile

The moderate financial risk profile is marked by gearing (debt-to-equity) of 1.10 times as on 31 March, 2016 as compared to 0.89 times as on 31 March, 2015. The interest coverage ratio stood at 1.85 times in FY2016 as against 2.02 times in the previous year. Notwithstanding moderation in the DSCR on account of increase in debt servicing obligations, the DSCR continued to remain moderate at 1.64 times in FY2016 as against 1.83 times in FY2015. The revenue increased to Rs.115.97 cr in FY2016 as compared to Rs.49.40 cr in FY2015 after acquiring Futuristic Sales Private Limited. SMERA expects the debt protection metrics to remain robust over the medium term on account of healthy net cash accruals and profitability margins. The net profitability margin stood at 1.15 percent in FY2016 as against 0.84 times in the previous year. The RoCE stood at 10.19 times as compared to 4.09 times in the previous year.

Weaknesses

• Stretched working capital cycle

Globe Panel is engaged in the manufacturing of plywood, mica, laminates and doors primarily used in the furniture industry. The company caters to a reputed clientbase. However, the inventory of the company stood at 80 days in FY2016 as compared to 147 days in FY2015. Further, the collections and receivables remained stressed and is expected to continue over the near to medium term. The stretched working capital cycle is marked by high GCA (Gross Cash Accruals) of 278 days in FY2016

as compared to 383 days in FY2015.

• Intense competition

The company operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that Globe Panel will maintain a stable outlook in the medium term owing to its experienced management and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

For FY2016, the company reported profit after tax (PAT) of Rs.1.33 cr on operating income of Rs.115.97 cr, as compared with PAT of Rs.0.42 cr on operating income of Rs.49.40 cr in FY2015. The net worth stood at Rs.35.32 cr as on March 31, 2016 against Rs.30.40 cr a year earlier. The net worth of Rs.35.32 cr in FY2016 includes quasi equity of Rs.7.00 cr.

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

None

Any other information

None

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>

Rating History (Upto last three years)

Not Applicable

***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	24.00	SMERA BB+ / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.80	SMERA BB+ / Stable

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