

Press Release

GLOBE PANEL INDUSTRIES INDIA PRIVATE LIMITED

10 January, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 86.80 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long-term rating to '**SMERA BBB-**' (read as SMERA triple B minus) from '**SMERA BB+**' (read as SMERA double B plus) and assigned a short term rating of '**SMERA 'A3'**' (read as SMERA A three) on the Rs.86.80 crore bank facilities of Globe Panel Industries India Private Limited (GPIPL). The outlook is '**Stable**'.

GPIPL is a Haryana-based company 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 used in the furniture industry. The company sells its products under the 'G L Plywood' brand.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

GPIPL, incorporated in 2010 is engaged in the manufacturing of plywood, mica, laminates and doors. The key promoters, Prof. Sarwan Agrawal (Founder & Chairman) has experience of more than three decades in the said line of business. Mr. Sarwan's sons Mr. Sanjeev Agrawal, Mr. Sourav Agrawal and Mr. Rajan Agrawal have two decades of experience in the furniture industry and manage the overall operations of the company. Mr. Dinesh Goel (Managing Director) has been associated with the company for the last 15 years and has experience of over two decades in the industry. SMERA believes that the business expertise of the promoters and established position of the company would support operations in the medium term.

- Moderate financial risk profile**

The networth stood at Rs. 38.79 crore as on 31 March, 2017 compared to Rs. 28.32 crore as on 31 March, 2016 (on account of share application money of Rs. 8.89 crore for takeover of assets and liabilities of Futuristic Sales Pvt. Ltd., which has been demerged from the company). The gearing stood at 1.42 times as on 31 March, 2017 as against 1.62 times in the previous year. The debt levels increased to Rs. 55.17 crore as on 31 March, 2017 compared to Rs. 45.74 crore as on 31 March, 2016, comprising Rs. 26.84 crore of long term debt out of which Rs. 25.65 crore has been from promoters and short term borrowings of Rs. 27.73 crore. The Interest Coverage Ratio stood at a moderate 1.79 times as on 31 March, 2017 compared to 1.85 times in the previous year. The DSCR stood at 1.54 times as on 31 Mar, 2017.

- Significant growth in revenues in FY2018**

The revenues increased to Rs.134.67 crore in FY2017 from Rs.115.97 crore in FY2016 registering a growth rate of 16.12 percent. The company registered Rs.167.9 crore for the 8 months ended FY2018 November on the back of increase in production with the new unit for sun mica being fully operational. The new unit has a total sales capacity of Rs. 18cr/month.

Weaknesses

- **Working capital intensive business**

The operations are working capital intensive marked by high GCA days of 316 days in FY2017 compared to 278 days in FY2016. The debtors are high in line with past trends. The inventory stands at 121 days in line with long manufacturing processes and debtors also are high as the company offers high credit period to customers with long business relationship.

- **Competition from small and established players**

GPIPL operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of players in the unorganised sector limits its bargaining power with customers. SMERA believes that the intense competition in the industry would limit the growth of the company in the medium term.

Analytical Approach

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

Outlook: Stable

SMERA believes that the company will maintain its stable outlook on the back of the management's extensive experience 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 Project

Not Applicable

About the Group

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	134.67	115.97	49.40
EBITDA	Rs. Cr.	9.18	8.22	2.66
PAT	Rs. Cr.	0.67	1.33	0.42
EBITDA Margin	(%)	6.82	7.09	5.38
PAT Margin	(%)	0.50	1.15	0.84
ROCE	(%)	7.57	10.19	4.09
Total Debt/Tangible Net Worth	Times	1.42	1.62	1.27
PBDIT/Interest	Times	1.79	1.85	2.02
Total Debt/PBDIT	Times	6.70	5.53	11.87
Gross Current Assets (Days)	Days	316	278	383

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

Non Cooperation- Care Ratings- Apr 5, 2017

"CARE has been seeking information from Globe Panel Industries India Private Limited (GPIL), to monitor the rating vide email communications/letters dated March 11, 2017, March 3, 2017, February 21, 2017, February 10, 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Furthermore, Globe Panel Industries India Private Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Globe Panel Industries India Private Ltd's bank facilities will now be denoted as CARE BB; ISSUER NOT COOPERATING."

Any other information

Not Applicable

Applicable Criteria

- Default Recognition-<https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities-<https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments-<https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
09-May-2017	Cash Credit	Long Term	INR 24.00	SMERA BB+/ Stable
	Overdraft	Long Term	INR 5.00	SMERA BB+/Stable
	Term loan	Long Term	INR 1.80	SMERA BB+/Stable

*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	45.00	SMERA BBB-/Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA BBB-/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.28	SMERA BBB-/Stable
FLC/ILC	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A3
Proposed	Not Applicable	Not Applicable	Not Applicable	34.02	SMERA BBB-/Stable

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smerra.in.

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