

Press Release

Globe Panel Industries India Private Limited

November 16, 2021

Rating Upgraded



Total Bank Facilities Rated	Rs. 86.80 crore
Long Term Rating	ACUITE BB+/ Stable (Upgraded from ACUITE BB)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 86.80 crore bank facilities of Globe Panel Industries India Private Limited (GPPL). The outlook is '**Stable**'.

About the company

GPPL was incorporated in April 2010 by Mr. Sarwan Aggarwal along with his family members. The company is involved in the manufacturing of plywood, laminates, Flush Door, Formaldehyde and other allied products. The company has six manufacturing units, all of which are located in Yamuna Nagar (Haryana). It markets the products under 'G L Plywood' brand.

Analytical Approach

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

Key Rating Drivers

Strengths

• **Promoters' extensive experience and domestic plywood and laminate industry**

The key promoters, Mr. 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 along with Mr. Dinesh Goel (Managing Director) have experience for over two decades in this industry. The company offers a wide range of products in all segments including plywood, laminate and decorative industry. GPPL has four manufacturing units for its plywood division and two for its laminate division and one for Formaldehyde division. As the laminate and plywood business are distribution-intensive, GPPL has complimented its capacity expansion by enhancing its distribution strength. At present, it has an extensive dealer network of 18 states across the country for better reach to its target market.

The company recorded revenues of Rs.157crore for 6MFY2022 and targeted revenues of above Rs.300 crore for FY2022.

Acuite believes that GPPL continues to enjoy the benefit of its geographically diversified revenue profile along with experienced management.

• **Average financial risk profile**

The financial risk profile of company stood average marked by modest net worth, high gearing and moderate debt protection measures. The company's net worth stood moderate at Rs. 51.75 Cr as on 31st March 2021 (Prov.) as against Rs. 52.95 Cr as on 31st March 2020. There is fall in net worth as the company suffered loss in FY21. at 3.19 times as on March 31, 2021 as against 2.37 times as on March 31, 2020. As on 31st March 2021, the promoters have infused unsecured loan to the tune of Rs. 37.33 Cr. which has contained the adjusted debt-to-equity at 2.47 times as on 31st March 2021 which is a slight dip as against 1.86 times as on 31st March 2020. The total debt of Rs. 165.13 crore as on 31 March, 2021 (Provisional), consists of term loans of Rs. 37.85 crores, working capital borrowings of Rs. 83.41 crores, Rs. 6.55 crores of current portion of long term debt and Rs. 37.33 Crore of unsecured loans from directors/promoters. The Debt protection metrics of the firm have deteriorated marked by the interest coverage ratio 1.69 times as on 31st March 2021 (Provisional) as against 1.83 times in the previous year. The net cash accruals to total debt (NCA/TD) stood low at 0.01 times for FY2021 (Provisional). The company reported net cash accruals (NCA) of ~Rs. 1.86 crore in FY2021 and Rs. 7.39 crores in FY2020.

Acuite believes that the company will be able to sustain its existing financial risk profile in near to medium term backed by established presence in the industry, extensive experience of promoters.

Weaknesses

- Intensive working capital operations**

Intensive working capital requirement as evident from gross current assets (GCA) of 323 days for FY2021 (Prov.) from 269 days for FY2020. Inventory days of 136 days as on 31 March 2021 (Prov.) as against 101 days in the previous year. Further, debtors' days stood high at 173 days as on 31 March 2021 (Prov.) as against 158 days as on 31st March 2020. The increase in inventory days and debtors say is due to Covid disruptions. Current Ratio stood at 1.35 times as on 31 March 2021.

Acuite believes that the working capital requirements will continue to remain intensive over the medium term

- Highly fragmented and competitive nature of the plywood industry**

The plywood market is primarily controlled by the unorganised sector, which accounts for around 70 per cent of the total market size. The plywood industry is an intensely competitive and fragmented industry because of low entry barriers and moderate capital requirements. The industry is marked by large as well as several small players. The high competitive intensity limits the pricing flexibility and exerts pressures on the margins of all participants. Further, plywood industry is directly linked to the real estate sector and cyclical in nature and depends on the economic cycle. However, the established brand presence diversified geographical presence and experienced management mitigates the risk to some extent.

Rating Sensitivity

- Sustained growth in operating performance with improvement in profitability, sustenance of the comfortable financial risk profile
- Slowdown in industry leading to inventory pile up.

Liquidity position: Stretched

The company has stretched liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 1.86 crore for FY2021 (Prov.) as against Rs. 6.85 crore of repayment obligations for the same period. There is mismatch of CPLTD and NCA. However, company was able to bridge this gap through internal accruals along with unsecured loans from directors of around Rs. 37.33 crore in FY2021 and it will continue to support in future too. Further, the company has allotted shares of worth Rs. 2.00 Cr with premium of Rs. 2.00 Cr. Also, the company has unencumbered cash and bank balances of Rs. 3.24 crore as on 31st March 2021 (Prov.).

0. Further, the reliance on working capital borrowings is high as evident from the fund-based working capital limits utilization at an average of ~97 per cent in the last six months. Therefore, there are enough net cash accruals & limits available to utilize more funds if required to support incremental requirements.

Outlook: Stable

Acuite believes that GPPL will maintain a 'Stable' outlook over the medium term backed by its promoters' industry experience. The outlook may be revised to 'Positive' in case of significant growth in its revenues while improving its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management, or any significant debt-funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

Material Covenant

None

About the Rated Entity - Key Financials

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	266.64	271.21
PAT	Rs. Cr.	(1.21)	4.54
PAT Margin	(%)	(0.45)	1.67
Total Debt/Tangible Net Worth	Times	3.19	2.37
PBDIT/Interest	Times	1.69	1.83

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
06-Sept-2021	Cash Credit	Long term	50.00	ACUITE BB (Downgraded from ACUITE BB+) Issuer not co-operating*
	Cash Credit	Long term	25.00	ACUITE BB (Downgraded from ACUITE BB+) Issuer not co-operating*
	Overdraft	Long term	5.00	ACUITE BB (Downgraded from ACUITE BB+) Issuer not co-operating*
	Term Loan	Long term	1.28	ACUITE BB (Downgraded from ACUITE BB+) Issuer not co-operating*
	FLC/ILC	Short Term	2.00	ACUITE A4+ Issuer not co-operating*
	Proposed Bank Facility	Long term	3.52	ACUITE BB (Downgraded from ACUITE BB+) Issuer not co-operating*
10-Jun-2020	Cash Credit	Long term	50.00	ACUITE BB+ (Downgraded from ACUITE BBB-/ Stable) Issuer not co-operating*
	Cash Credit	Long term	25.00	ACUITE BB+ (Downgraded from ACUITE BBB-/ Stable) Issuer not co-operating*
	Overdraft	Long term	5.00	ACUITE BB+ (Downgraded from ACUITE BBB-/ Stable) Issuer not co-operating*
	Term Loan	Long term	1.28	ACUITE BB+ (Downgraded from ACUITE BBB-/ Stable) Issuer not co-operating*
	FLC/ILC	Short Term	2.00	ACUITE A4+ (Downgraded from ACUITE A3) Issuer not co-operating*

	Proposed Bank Facility	Long term	3.52	ACUITE BB+ (Downgraded from ACUITE BBB- / Stable) Issuer not co-operating*
03-Apr-2019	Cash Credit	Long term	50.00	ACUITE BBB- / Stable (Reaffirmed)
	Cash Credit	Long term	25.00	ACUITE BBB- / Stable (Reaffirmed)
	Overdraft	Long term	5.00	ACUITE BBB- / Stable (Reaffirmed)
	Term Loan	Long term	1.28	ACUITE BBB- / Stable (Reaffirmed)
	FLC/ILC	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long term	3.52	ACUITE BBB- / Stable (Reaffirmed)
10-Jan-2018	Cash Credit	Long term	45.00	ACUITE BBB- / Stable (Upgraded)
	Overdraft	Long term	4.50	ACUITE BBB- / Stable (Upgraded)
	Term Loan	Long term	1.28	ACUITE BBB- / Stable (Upgraded)
	FLC/ILC	Short Term	2.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long term	34.02	ACUITE BBB- / Stable (Assigned)

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BB+ /Stable (Upgraded from ACUITE BB)
State Bank of India	Term Loan	Not Available	Not Available	Not Available	21.80	ACUITE BB+ /Stable (Upgraded from ACUITE BB)
Axis Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BB+ /Stable (Upgraded from ACUITE BB)

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