

Press Release

Globe Mobility Private Limited

June 26, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 18.00 crore
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating to '**ACUITE BB**' (**read as ACUITE double B**) to the Rs. 18.00 crore bank facilities of Globe Mobility Private Limited (GMPL). The outlook is '**Stable**'.

GMPL, a Pune-based company was incorporated in 2013. The company is distributor of Apple products (iPhone, IPad, watches devices) in Maharashtra region and VIVO phones having exclusive dealership in pune. Since February 2019, the company has initiated with exports of Samsung, OPPO amongst others products in gulf countries.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The company commenced its operations in 2013 by dealing in Apple and VIVO products in domestic market. The Directors, Mr. Kapil Goyal and Shyamlal Goyal possess more than a decade of experience in the said business from another group concern namely Ms. Globe communications. The promoters has dealt with diversified product mix like Idea, Reliance, Apple, VIVO amongst others. The company caters to local retailing market as well as export to gulf countries. Acuité believes that GMPL will continue to benefit from its management's experience in this line of business.

- **Improving revenues**

The operating income has improved to Rs. 110.50 crores in FY2019(P) as compared to Rs. 109 crores in FY2018. The operating revenues are growing at compounded annual growth rate (CAGR) of 52 percent since 2016. The company is expanding geographically by catering to export market since FY2019.

- **Moderate financial risk profile**

The financial risk profile of GMPL has been moderate, marked by net worth of Rs. 6.51 crore as on 31 March, 2019(P) as compared to Rs. 0.73 crore in the previous year. The gearing (debt-equity) stood at 1.54 times as on 31 March, 2019(P) as compared to 16.20 times as on 31 March, 2018. The total debt of Rs. 10.01 crore as on 31 March, 2019(P) is working capital facility of Rs. 7.41 crore and long term loan of Rs. 2.60 crore. The Interest Coverage Ratio (ICR) stood at 1.40 times for FY2019(P) as against 1.41 times for FY2018. The Total outside liabilities to Tangible net worth (TOL/TNW) stood at 1.89 times as on 31 March, 2019. The Net cash accruals to Total debt (NCA/TD) stood at 0.06 times for FY2019(P). Further, Acuité expects that going forward, the company will maintain moderate financial risk profile on account of steady accruals.

Weaknesses

- **Thin margins**

The profitability margins stood thin at 0.48 percent in FY2019 (Provisional) and 0.34 percent in

FY2018. Acuité believes that profitability margins will remain thin due to trading nature of business.

• **Highly competitive industry**

GMPL operates in a highly competitive and fragmented industry. The revenues and margins from the mobile products segment depend on the changes in policies with regard to margins to vendors. The company's performance in segments, i.e. IT products and electronics, is exposed to the risk of unfavorable changes in policies. Any significant regulatory changes against the telecom industry and ecommerce players are likely to impact the company to maintain a stable business profile.

Liquidity Position

The company has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 0.23 crore to 0.58 crore during FY2017-19. The cash accruals of the company are estimated to remain in the range of around Rs. 1.00 crore to Rs. 1.94 crore during 2019-21 against no repayment obligation. The company's working capital operations are comfortable marked by gross current asset (GCA) days of 51 days for FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 0.25 crore as on 31 March 2019 (Provisional). The current ratio stands at 1.56 times as on 31 March 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

Outlook: Stable

Acuité believes that GMPL will maintain a 'Stable' outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers significantly higher-than-expected growth in revenue and accruals while maintaining its working capital cycle efficiently and improvement in debt protection indicators. Conversely, the outlook may be revised to 'Negative' in case of significant elongation in the working capital cycle or if the company registers lower-than-expected growth in revenue and profitability or in case of deterioration in the debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	110.50	109.00	54.59
EBITDA	Rs. Cr.	2.02	1.29	0.66
PAT	Rs. Cr.	0.53	0.37	0.21
EBITDA Margin	(%)	1.83	1.19	1.20
PAT Margin	(%)	0.48	0.34	0.39
ROCE	(%)	13.17	18.39	15.95
Total Debt/Tangible Net Worth	Times	1.54	16.20	6.48
PBDIT/Interest	Times	1.40	1.41	1.52
Total Debt/PBDIT	Times	4.96	8.23	3.88
Gross Current Assets (Days)	Days	51	57	100

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-6.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)

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	18.00	ACUITE BB/ Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Disha Parmar Analyst - Rating Operations Tel: 022-49294064 disha.parmar@acuite.ratings.in	

About Acuité Ratings & Research:

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