

## Press Release

Global Surfaces Limited (Erstwhile Global Stones Private Limited)

March 31, 2022

## Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.10	ACUITE A-   Stable   Upgraded	-
Bank Loan Ratings	56.00	-	ACUITE A2+   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	73.10	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

## Rating Rationale

Acuite has upgraded the long-term rating from '**ACUITE BBB+ (read as ACUITE triple B plus)**' to '**ACUITE A- (read as ACUITE A minus)**' and long-term rating from **ACUITE A2 (read as ACUITE A two)** to **ACUITE A2+ (read as ACUITE A two plus)** on the Rs.73.10 Cr bank facilities of '**Global Surfaces Limited (GSL); (erstwhile known as Global Stones Private Limited)**'. The outlook is '**Stable**'.

The upgrade in ratings take into account improvement in financial performance of the company in FY21, despite COVID induced lockdown and 9MFY22, significant improvement in financial risk profile led by decline in debt level resulting in strong liquidity. The rating continues to derive strength from experienced promoters and established track record of operations. The ratings are however, constrained by moderate working capital nature of operations and customer concentration risk.

## About the Company

The company was incorporated as Swastik Niwas Private Limited on August 23, 1991 and its name was changed to Global Stones Limited in 2004. The company was renamed to Global Surfaces Private Limited during on October 20, 2021 and subsequently converted to public limited company; Global Surfaces Limited on October 21, 2021.

Global Surfaces Limited (GSL), erstwhile rated as Global Stones Private Limited was takeover in 2004 by Mr. Rajiv Shah. The company is a one Star export house engaged in producing and exporting of slabs made of granite, marbles and engineered quartz. The manufacturing units are located at Jaipur, Rajasthan. The company exports granite and marble slabs to USA, Canada, UK, UAE etc.

## Analytical Approach

Acuite has considered the standalone financials of Global Surfaces Limited to arrive at rating.

## Key Rating Drivers

## Strengths

### Experienced promoters with established track record of operations

The promoters of Global Surfaces Limited (GSL) have long experience in marble industry. GSL's board of directors comprises of three directors namely Mr. Mayank Shah, Mr. Aseem Sehgal, and Mr. Ashish Kachawa. Mr. Mayank Shah is the managing director and has around two decades of experience in the industry. He is ably supported by other directors who are professionally running the company.

Acuité believes that the company will continue to benefit from its experienced management and long track record of operation industry.

### Improvement in financial risk profile

The capital structure of the company as represented by debt equity ratio remained below unity. The debt equity ratio improved significantly to 0.38 times in FY21 vis-à-vis 0.82 times in FY20. The same is on account of accretion of profit to reserves. The tangible net worth of the company improved to Rs.98.18 crores as on March 31, 2021 over Rs.64.92 crores as on March 31, 2020. Similarly, total outstanding liability to tangible net worth also improved from 0.95 times in FY20 to 0.58 times in FY21. The interest coverage ratio also improved significantly to 14.90 times in FY21 from 8.29 times in FY20, backed by decline in interest expense and total debt outstanding as on March 31, 2021. The net cash accruals to total debt improved by 49 bps to 1.24 times in FY21. The debt-EBITDA also improved to 0.75 times in FY21 as against 1.24 times in FY20.

Acuite believes that financial risk profile of the entity is expected to improve going ahead in absence of any additional term debt.

### Satisfactory financial performance in FY21

The total operating income of the company remained at Rs. 175.34 crores in FY21 as against Rs. 163.84 crores in FY20, thereby reporting y-o-y growth of 7.02%. The increase in revenue is backed by both increase in sales quantum and revenue per sq.ft. In line with increase in revenue, the operating profit of the company also increased to Rs.49.62 crores in FY21 over Rs.42.68 crores in FY20. Consequently, the operating profit margin of the company improved marginally to 28.30% in FY21 vis-a-vis 26.05% in FY20. The same is on account of increase in sales of quartz, which is a high margin product. The net profit of the company also increased from Rs.22.82 crores in FY20 to Rs.33.32 crores in FY21. The increase in net profit was further backed by decline in interest cost. Consequently, the net profit margin also increased to 19.0% in FY21 as against 13.93% in FY20.

The company has already reported total operating income and net profit of Rs. 144.73 crores and Rs.25.01 crores respectively during 9MFY22. Acuite believes that financial performance of the company is expected to improve going ahead lead by transition from granite to quartz which has huge demand in USA.

## Weaknesses

### Working Capital Management

The Gross Current asset days of the company increased to 184 days in FY21 over 134 days in FY20. The same is on account of increase in inventory and debtors. As the company is majorly involved in export, the goods are supplied to client post submission of bills of lading. Further, the company maintains finished goods inventory of 2-3 months for the purpose of bulk dispatch. Further, the debtors are realized between period of 60-80 days. The company receives credit period of 30-35 days from its suppliers. The working capital utilization for the past 6 months ending January 2022 remained at ~45%.

### Customer concentration risk

The clientele profile of the company is concentrated with company deriving around 60% of revenue from top 5 clients during FY21. The ability of the company to diversify its customer base would be critical factor going ahead.

### ESG Factors Relevant for Rating

Not Applicable

## Rating Sensitivities

- >Significant improvement in operating income while sustaining profitability
- >Elongation in working capital cycle

### Material covenants

None

### Liquidity Position: Strong

The net cash accruals of the company remained at 46.29 crores against debt payment of Rs.1.22 crores, thereby providing sufficient cushion. The current ratio of the company continues to remain above unity at 1.60 times in FY21 as against 1.15 times in FY20. In addition to this, GSL has also maintained cash and bank balance of Rs. 4.62 crores as on March 31, 2021. The company has already prepaid its term loan and thus, is not planning to avail any additional term loan going ahead. Further, the outstanding term loan as on March 31, 2021 is expected to be repaid in next two years. The working capital utilisation for the past 6 months ending January 2022 remained at ~45%.

### Outlook: Stable

Acuité believes GSL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher- than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

### Other Factors affecting Rating

Not Applicable

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	175.34	163.84
PAT	Rs. Cr.	33.32	22.75
PAT Margin	(%)	19.00	13.89
Total Debt/Tangible Net Worth	Times	0.38	0.82
PBDIT/Interest	Times	14.90	8.28

### 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
09 Mar 2021	Proposed Bank Facility	Long Term	2.00	ACUITE BBB+   Stable (Assigned)
	Proposed Bank Facility	Short Term	4.00	ACUITE A2 (Assigned)
	Bills Discounting	Short Term	32.00	ACUITE A2 (Assigned)
	Term Loan	Long Term	7.30	ACUITE BBB+   Stable (Assigned)
	Standby Line of Credit	Long Term	5.80	ACUITE BBB+   Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB+   Stable (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A2 (Assigned)
	Packing Credit	Short Term	16.00	ACUITE A2 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE A2+   Upgraded ( from ACUITE A2 )
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A-   Stable   Upgraded ( from ACUITE BBB+ )
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A2+   Upgraded ( from ACUITE A2 )
Punjab National Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A2+   Upgraded ( from ACUITE A2 )
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.30	ACUITE A-   Stable   Upgraded ( from ACUITE BBB+ )
Punjab National Bank	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	5.80	ACUITE A-   Stable   Upgraded ( from ACUITE BBB+ )
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	6.00	ACUITE A-   Stable   Upgraded ( from ACUITE BBB+ )

\*Rs.0.20 crores BG as sublimit of Cash Credit

\*FOBP/FOUBP of Rs.32.0 crores has been considered as Bill Discounting

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### About Acuité Ratings & Research

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