



Press Release
GLOBAL SURFACES LIMITED (ERSTWHILE GLOBAL STONES PRIVATE LIMITED)
February 02, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.10	ACUITE A- Negative Reaffirmed	-
Bank Loan Ratings	55.00	-	ACUITE A2+ Assigned
Bank Loan Ratings	62.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	128.10	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating '**ACUITE A-**' (read as **ACUITE A minus**) and short-term rating **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 '**Negative**'

Further, Acuite has assigned the short-term rating of **ACUITE A2+ (read as ACUITE A two plus)** on the Rs.55.00 Cr bank facilities of GSL.

Rationale for rating & outlook

The rating takes into account the healthy financial risk profile and Strong liquidity Position. Financial risk profile of the group is healthy marked by low gearing, healthy net worth & coverage indicators. The Total Tangible net worth stood at Rs. 261.31 Cr as on 31st March 2023 as against Rs. 133.60 Cr a year earlier. Debt to Equity ratio stood low at 0.64 times in FY 2023. Interest coverage ratio stood comfortable at 10.73 times for FY2023 and Debt Service coverage ratio stood strong at 8.50 times for FY2023. Group generated cash accruals of Rs. 33.67 crore for FY2023 as against negligible debt obligation for the same period. Current Ratio stood at 1.50 times as on 31 March 2023. Company has received Rs ~50 crore by issuing share warrants in Dec 23 and Rs~150 crore is expected to be received in FY 25.

Operating income of the group stood at Rs 76.60 crore in H1 FY 24 as against Rs 97.18 crore in H1 FY 23, which is ~27 percent lower, which is on account of dip in average realization however volume remains same. Operating margin decreased and stood at 18.80 percent in H1FY24 as against 19.73 percent in H1FY23.

The rating is constrained on account of intensive working capital requirement of operations and Dip in H1 FY 24 coupled with increase in scope of project and time taken for project completion. Acuite believes that the company's ability to start the commercial production in Dubai facility, grow its scale of operations and profitability while maintaining a healthy capital structure remains a key rating monitorable.

About 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 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

About the Group

Global Surfaces FZE and Global Surfaces Inc are subsidiaries of Global Surfaces Limited and together referred as Global Group.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the financial and business risk profile Global Surfaces Limited, Global Surfaces FZE, Global Surfaces Inc. The consolidation is in view of the common ownership and strong operational and financial linkages within the group

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, Mrs. Sweta Singh, and Mr. Ashish Kachawa. Mr. Mayank Shah is the managing director and has around two decades of experience in the industry. The other two directors who are professionally running the company ably support him.

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

Healthy Financial Risk Profile

The financial risk profile of the group remained healthy marked by healthy net worth, low gearing and comfortable debt protection metrics. The group's net worth improved and stood at Rs. 261.31 crore as on March 31, 2023 as against Rs.133.60 crore as on March 31, 2022. The improvement in net worth is majorly on account of additional funds raised from public by the holding company of the group i.e. Global Surfaces Limited in the form of IPO and also supported by profit accretions in reserves.

The gearing level (debt-to-equity) of the group albeit deteriorated remained strong and stood at 0.64 times as on March 31, 2023 as against 0.28 times in FY 2022.

Likewise, the debt protection matrices of the group albeit deteriorated remained strong marked by Interest Coverage Ratio of 10.73 times for FY2023 as against 16.84 times in FY2022 and Debt Service Coverage Ratio of 8.50 times for FY2023 as against 11.81 times in FY2022. Total outside liabilities to total net worth (TOL/TNW) stood at 0.69 times as on March 31, 2023 vis-à-vis 0.32 times as on March 31, 2022. However, Debt to EBITA stood high at 4.34 times as on March 31, 2023 as against 0.77 times as on March 31, 2022 majorly on account of increase in short term borrowings of the group. The Net Cash Accruals to Total debt stood at 0.20 times as on FY2023 and 1.22 times for FY2022. The holding company has transferred the proceeds of IPO in its Subsidiary Global Surfaces FZE in the form of USL and subsequently the subsidiary has repaid its debt to the tune of Rs~63 Cr in May 2023 as per Disclosures filed with BSE.

Acuité believes that the stability of financial risk profile of the group at the current levels or improvement thereon will be a key rating sensitivity over the medium term.

Weaknesses

Decline in business operations and profitability

Global Group's operation witnessed moderation which is apparent from dip in consolidated revenue from operations by ~6% in FY2023 to Rs.179.26 crore as against Rs. 190.04 crore in

FY2022. Moderation in revenue is attributable to dip in revenue from Granite and Marble. Revenue from Granite and Marbles was ~28 percent of total Revenue in FY 21 which came down to ~12 percent of total Revenue in FY 23. Revenue from Granite and Marbles reduced by ~55 percent from FY 21 to FY 23. Revenue from Quartz witnessed minuscule moderation of 116 bps in FY 23 in comparison to last year. The operating profit margin of the group moderated by 326 bps in FY 23. Operating Profit Margin of group stood at 21.10% in FY2023 as against 24.36% in FY2022. Further, the net profit margin of the group moderated by 514 bps and stood at 13.52 percent in FY2023 as against 18.66 percent in FY2022. Also, the clientele profile of the company is concentrated with company deriving around 65% of revenue from top 5 clients during FY23. The ability of the company to diversify its customer base would be critical factor going ahead.

Working capital intensive nature of operations

The operations of the group are working capital intensive in nature marked by high gross current assets (GCA) of 209 days for FY2023 as compared to 202 days for FY2022. Intensiveness of the working capital is due to its nature of business. Debtor days remained high and stood at 90 days for FY2023 as against 75 days for FY2022. The increase in receivable period of the group was majorly on account of delay in receipt of bill of lading during FY2023. Inventory days stood at 113 days for FY2023 as against 119 days for FY2022. Current ratio of group stood at 1.50 times as on March 31, 2023. However, the average working capital utilisation by the group remained moderate at ~57 percent in last six months ended Oct 2023.

Acuité believes that the management ability to efficiently manage its working capital requirements will continue to remain a key rating monitorable over the medium term.

Rating Sensitivities

Significant improvement in operating income and profitability
Elongation in working capital cycle
Operationalization of Dubai facility

Liquidity Position

Strong

Group has strong liquidity marked by net cash accruals to its maturing debt obligations, Current Ratio, Cushion available in Working capital Limits and Bank Balances. Group generated cash accruals of Rs. 33.67 crore for FY2023 while debt obligations of Rs. 0.81 crore for FY2023. The current ratio stood at 1.50 times as on March 31, 2023. The cash and bank balances of group stood high at Rs 113.58 crore. (Cash and cash equivalent Rs 6.50 crore and Bank Balance Rs 107.08 crore). Further, the Fund Based Bank Limit Utilization in six months ended Oct 23 was ~57 percent leaving additional cushion to meet the contingencies. The liquidity of the group is further expected to improve with group expected to generate healthy cash accruals. Acuité believes that the liquidity position of the group will remain strong on account of healthy net cash accruals against matured debt obligations over the medium term

Outlook:Negative

Acuite believes that Global group will maintain a 'negative' outlook on account of deterioration in the operating performance of the company. The rating may be downgraded in case of any further delay in project operationalization, stretch in working capital cycle or deterioration in financial risk profile driven by further deterioration in operating performance. The outlook may be revised to 'Stable' in case of substantial improvement in revenues and improvement in profitability from current levels.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	179.26	190.04
PAT	Rs. Cr.	24.24	35.46
PAT Margin	(%)	13.52	18.66
Total Debt/Tangible Net Worth	Times	0.64	0.28
PBDIT/Interest	Times	10.73	16.84

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Nov 2023	Term Loan	Long Term	3.30	ACUITE A- Negative (Reaffirmed)
	Packing Credit	Short Term	16.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A2+ (Reaffirmed)
	Working Capital Term Loan	Long Term	5.80	ACUITE A- Negative (Reaffirmed)
	Bank Guarantee	Short Term	0.20	ACUITE A2+ (Reaffirmed)
	Packing Credit	Short Term	23.80	ACUITE A2+ (Reaffirmed)
	Packing Credit	Short Term	14.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Negative (Reaffirmed)
19 Jun 2023	Letter of Credit	Short Term	8.00	ACUITE A2+ (Reaffirmed)
	Packing Credit	Short Term	14.00	ACUITE A2+ (Reaffirmed)
	Packing Credit	Short Term	16.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Negative (Reaffirmed)
	Bank Guarantee	Short Term	0.20	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	3.30	ACUITE A- Negative (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A- Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	5.80	ACUITE A- Negative (Reaffirmed)
	Packing Credit	Short Term	23.80	ACUITE A2+ (Reaffirmed)
31 Mar 2022	Bills Discounting	Short Term	32.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Standby Line of Credit	Long Term	5.80	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Letter of Credit	Short Term	8.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Packing Credit	Short Term	16.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Proposed Bank Facility	Long Term	3.30	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	6.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	2.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Proposed Bank Facility	Long Term	2.00	ACUITE BBB+ Stable (Assigned)
		Short		

09 Mar 2021	Proposed Bank Facility	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	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.20	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A- Negative Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A- Negative Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE A2+ Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.00	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	23.80	ACUITE A2+ Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A2+ Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A2+ Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Oct 2024	Simple	3.30	ACUITE A- Negative Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Feb 2027	Simple	5.80	ACUITE A- Negative Reaffirmed

Stand by line of credit is to be read as Stand by letter of Credit

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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