

## Press Release

### Global Tools

June 21, 2022

### Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	15.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ BB-**' (read as ACUITE double B minus) to the Rs 15.00 Cr. bank facilities of Global Tools (GT). The outlook is '**Stable**'.

#### Rationale for Rating Assigned

The rating assigned reflects GT's experienced management and long operational track record of the firm along with longstanding relationship with reputed clients namely Godrej & Boyce, Hindustan Aeronautics Limited and Craftsman Automation Limited among others. However, the rating remains constrained by the working capital intensive nature of operations, high gearing, moderate financial risk profile and highly fragmented and competitive nature of the industry.

#### About the Company

M/s Global Tools is a partnership concern established in 2007. It is owned and managed by Mr. Birangal Mahadev Parmeshwar and Mr. Baig Sultan Abdul. The Company is based at Bhosari, Pune, and Maharashtra. Global Tools is engaged in manufacturing and regrinding of all types of Cutting tools, H.S.S and Carbides Tools which is used in specialize Vertical Milling Machines (VMC), CNC and Metal Cutting Machines.

#### Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of GT to arrive at the rating.

#### Key Rating Drivers

##### Strengths

##### >Experienced management and long operational track record

GT is a partnership concern established in 2007. It is owned and managed by Mr. Birangal Mahadev Parmeshwar and Mr. Baig Sultan Abdul. The partners of the firm has an extensive experience of more than 15 years in this line of business. The firm is based at Bhosari, Pune. Global Tools is engaged in manufacturing and regrinding of all types of Cutting tools, H.S.S

and Carbides Tools which is used in specialize Vertical Milling Machines (VMC), CNC and Metal Cutting Machines. The long track record and experience of management help the company to maintain a longstanding relationship with reputed clients namely Godrej & Boyce, Hindustan Aeronautics Limited and Craftsman Automation Limited among the others. Acuité believes that the company will benefit from its longstanding relationship with clients and experience of the promoters.

## **Weaknesses**

### **>Moderate financial risk profile**

The financial risk profile of the company stood moderate marked by moderate net worth, high gearing and moderate debt protection metrics. The tangible net worth stood at Rs.3.97 crore as on 31 March, 2021 as against Rs.3.80 crore as on 31 March, 2020. The total debt of the company stood at Rs.9.97 crore includes Rs.5.21 crore of long term debt, Rs.0.68 crore of unsecured loans and Rs.4.08 crore of short term debt as on 31 March, 2021. The gearing (debt-equity) stood high at 2.51 times as on 31 March, 2021 as compared to 2.12 times as on 31 March, 2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 3.99 times as on 31 March, 2021 as against 3.07 times on 31 March, 2020. The debt protection metrics stood moderate with Interest Coverage Ratio stood at 2.03 times for FY2021 as against 2.19 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 2.03 times in FY2021 as against 2.19 times in FY2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.08 times for FY2021.

Acuité believes that the financial risk profile of the GT is likely continue to remain moderate over the medium term.

### **>Working capital intensive operations**

The working capital management of the company is intensive marked by GCA days of 296 days in FY2021 as against 205 days in FY2020. Also, the debtor days stood at 213 days in FY2021 as against 178 days in FY2020. The reason behind increase in debtors is delayed payment from customer whereas the general credit term allowed is 90-120 days. The creditor days stood at 262 days in FY2021 as against 132 days in FY2020. However, the inventory days stood at 27 days in FY2021 as against 17 days in FY2020.

Acuité expects the working capital management to remain intensive over the medium term considering the nature of business and terms allowed to customers.

### **>Highly fragmented and competitive industry**

The industry is marked by presence of large number of organized and unorganized players. The industry is intensely competitive and fragmented because of low entry barriers and moderate capital requirements. The high competitive intensity limits the pricing flexibility and exerts pressures on the margins of all participants. However, the established brand presence, reputed customer base and experienced management mitigates the risk to some extent.

## **Rating Sensitivities**

- Substantial improvement in scale of operation while maintaining profitability margins.
- Elongation in working capital cycle leading to higher reliance on working capital limits.
- Deterioration in debt protection metrics and liquidity profile

## **Material covenants**

None

## **Liquidity Position: Stretched**

The company's liquidity position is stretched as the average bank limit utilization for the past 12 months for Abhyudaya Co-operative Bank Ltd ending March 2022 is ~ 97.13 percent and also the company has availed TODs from bank frequently in the recent past. However, they have sufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.0.82-0.99 Crore from FY 2019- 2021. And also, is expected to generate a sufficient cash accrual in the range of Rs.2.86-5.85 crores from FY2022- 2024 against the maturing debt obligation of Rs 1.18 crores during the same period. The working capital management of the company is intensive marked by GCA days of 296 days in FY2021 as

against 205 days in FY2020. The company maintains unencumbered cash and bank balances of Rs.0.25 crore as on March 31, 2021. The current ratio stands at 1.17 times as on March 31, 2021.

Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of working capital intensive nature of operations, debt funded capital expenditures and moderate cash accruals.

### Outlook: Stable

Acuite believes that GT will continue to maintain a 'Stable' outlook over the medium term owing to its experienced and technically qualified management. The outlook may be revised to 'Positive' if the company reports significant improvement in revenue and scale of operations while maintaining operating profitability, leading to higher cash accruals. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue and profitability leading to lower than expected cash accruals or deterioration in the financial risk profile or higher than expected working capital borrowings.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	19.65	14.25
PAT	Rs. Cr.	2.25	0.40
PAT Margin	(%)	11.46	2.82
Total Debt/Tangible Net Worth	Times	1.73	2.51
PBDIT/Interest	Times	3.32	2.03

### 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>
- Manufacturing Entities: <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 :

Not Applicable

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.19	ACUITE BB-   Stable   Assigned

Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.42	ACUITE BB-   Stable   Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.00	ACUITE BB-   Stable   Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.62	ACUITE BB-   Stable   Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.45	ACUITE BB-   Stable   Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.35	ACUITE BB-   Stable   Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	0.47	ACUITE BB-   Stable   Assigned

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### About Acuité Ratings & Research

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