

## Press Release

Globe Hi-Fabs Private Limited (Erstwhile Globe Hi-Fabs LLP)

March 03, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.00	ACUITE BB+   Negative   Assigned	-
Bank Loan Ratings	8.00	ACUITE BB+   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	4.00	-	ACUITE A4+   Assigned
Bank Loan Ratings	16.00	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	32.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 24.00 crore bank facilities of Globe Hi-Fabs Private Limited (GHFPL). The outlook is revised from '**Stable**' to '**Negative**'.

Acuite has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 8.00 crore bank facilities of Globe Hi-Fabs Private Limited (GHFPL). The outlook is '**Negative**'.

### Rationale for reaffirmation/revision in outlook

Rating has been reaffirmed and outlook has been revised from 'Stable' to 'Negative'. Revision in outlook takes into account the subdued operational performance of the company in the past fiscals due to the impact of Covid pandemic in the aviation industry which has directly impacted revenue of the company. Moderation in operational metrics has led to stretch in working capital cycle and GCA days of the company along with decline in debt protection metrics. Rating has been reaffirmed considering the vintage of operations and presence of the company in niche sector.

### About the Company

Faridabad-based, Globe Hi Fabs Private Limited (GHFPL) (erstwhile Globe Hi Fabs LLP) was established in the year 1965 as a partnership firm and later converted into a limited liability partnership in 2014 and Private Limited company in 2022. The firm was established by Mr. Kishan Kumar. Currently, the operations of the firm are being looked after by Mr. Rajiv Chopra and Mr. Aman Chopra. The firm is engaged in the manufacturing of aviation refuelling equipment, construction of hydrant refuelling systems and distribution of aviation ground refuelling equipment in India. The firm generates its revenues by domestic operations as well as globally to countries like Kuwait, Bangladesh, Indonesia and Egypt to name a few.

## Analytical Approach

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

## Key Rating Drivers

### Strengths

#### Experienced management

GHFPL is promoted by Mr. Aman Chopra and Mr. Rajiv Chopra. The promoters have a combined experience over 6 decades in the aviation refuelling equipment, construction of hydrant refuelling systems and distribution of aviation ground refuelling equipment. The top management of the company is aided by an equally experienced second line of management personnel. The company has been able to establish a long and healthy relationship with its customers and suppliers owing to the promoter's rich experience and the long track record of operations of over 55 years. Acuité believes GHFPL will continue to benefit over the medium term from its longstanding association with its key supplier as well as customers.

#### Average financial risk profile

Company's financial risk profile is average marked by moderate net worth and average debt protection metrics. Company's constitution has changed from LLP to Private Limited in July 2022. Tangible net worth for FY 2022 stood at Rs. 8.30 Cr as against Rs. 8.47 Cr in FY 2021. The total net worth consists of Rs. 1.00 Cr of partner's contribution, Rs. 4.50 Cr of balance in partners' current account and Rs. 2.80 Cr of unsecured loan treated as quasi equity. Going forward, Rs. 5.50 Cr of Partners contribution and balance in current account will become part of equity share capital in the private limited constitution. Total debt of Rs. 6.23 Cr in FY 2022 consists of Rs. 0.36 Cr of long term loans, Rs. 5.54 Cr of working capital borrowings and Rs. 0.34 Cr of CPLTD. Consequently, gearing (Debt to Equity) has improved from 0.98 times in FY 2021 to 0.75 times in FY 2022. Interest coverage ratio has declined to 1.73 times in FY 2022 from 2.00 times in FY 2021. TOL/TNW has declined to 1.25 times in FY 2022 from 1.77 times in FY 2021 while Debt-EBITDA has moderated to 2.46 times in FY 2022 from 2.30 times in FY 2021.

### Weaknesses

#### Working Capital Intensive Operations

Company's operations are working capital intensive marked by stretch in GCA days year on year. GCA days have stretched from 173 in FY 2021 to 190 in FY 2022. The stretch in GCA days is a result of decline in operating income. Company's inventory holding period has increased to 117 days in FY 2022 from 55 days in FY 2021. As per the management the increase in finished goods inventory was a result of delay in inspection of finished product because of which the inventory was sold in subsequent months. Debtor days have improved from 99 days in FY 2021 to 62 days in FY 2022. Creditor days have declined to 22 days in FY 2022 from 36 days in FY 2021. Average bank limit utilization stood high at 97.67% for the 6 months' period between July 2022 to December 2022.

#### Customer Concentration Risk and limited revenue visibility

GHFPL faces customer concentration risk as around 65 percent of the company's total sales in FY 2022 was generated via top three customers viz. Nepal Oil Corporation Limited, Indian Oil Corporation Limited and Indian Oil Skytanking limited while the same trend continued in the previous years as well. Moreover, the current unexecuted order book position of the company stood at Rs. 39 crores for the current year which is to be executed in the next 4-5 months, which presents limited revenue visibility for the company in the near term. GHFPL operates in an industry with a tender based nature of operations which makes the firm dependent on repeated orders from the clients to sustain the scale of operations. Further, the industry is regulated by norms from various regulatory authorities. However, the risks are mitigated to a certain degree due to long track record of operations of the firm. Acuité believes that periodic replenishment of the order-book position and customer diversification will remain the key to the improvement in the business risk profile of the firm.

## Rating Sensitivities

- Significant improvement in the scale of operations with improvement in profitability,
- improvement of the financial risk profile and working capital operations.
- Deterioration in working capital or financial risk profile due to debt-funded capex.

## Material covenants

None.

## Liquidity Position

### Adequate

Company has adequate liquidity position. In FY 2022 company generated net cash accruals of Rs. 0.87 Cr against maturing debt obligation of Rs. 0.34 Cr. Going forward company is expected to generate net cash accruals of Rs. 3.05 Cr and Rs. 5.91 Cr in FY 2023 and FY 2024 respectively against maturing debt obligation of Rs. 0.34 Cr and Rs. 0.45 Cr in each respective year. Company's unencumbered cash and bank balance stood at Rs. 0.06 Cr.

## Outlook: Negative

Acuité believes that GHFPL will maintain a 'Negative' business risk profile over the medium term. The firm will continue to benefit from its experienced management and relationship with customers and suppliers. The outlook may be revised to 'Stable' in case the firm registers substantial and sustained growth in revenues from the current levels while maintaining its operating margins and improvement in the capital structure. Conversely, the rating may be downgraded in case of deterioration in its working capital management, thereby impacting its financial risk profile, particularly its liquidity.

## Other Factors affecting Rating

None.

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	23.70	31.10
PAT	Rs. Cr.	0.52	0.92
PAT Margin	(%)	2.18	2.97
Total Debt/Tangible Net Worth	Times	0.75	0.98
PBDIT/Interest	Times	1.73	2.00

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

Not Applicable.

## Any other information

None.

## 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Feb 2022	Cash Credit	Long Term	5.00	ACUITE BB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Packing Credit	Long Term	4.00	ACUITE BB+   Stable (Reaffirmed)
19 Nov 2020	Packing Credit	Long Term	4.00	ACUITE BB+   Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB+   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.53	ACUITE BB+ (Withdrawn)
	Proposed Bank Facility	Long Term	0.47	ACUITE BB+ (Withdrawn)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Reaffirmed)

## 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 Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A4+   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A4+   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BB+   Negative   Reaffirmed   Stable to Negative
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BB+   Negative   Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A4+   Assigned

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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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