



Press Release
Globe Hi-Fabs Private Limited (Erstwhile Globe Hi-Fabs LLP)
May 24, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BB+ Stable Reaffirmed Negative to Stable	-
Bank Loan Ratings	20.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	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. 32 crore bank facilities of Globe Hi-Fabs Private Limited (GHFPL) (Erstwhile Globe Hi-Fabs LLP). The outlook has been revised to '**Stable**' from '**Negative**'.

Rationale for Reaffirmation

The rating factors steady business risk profile and healthy financial risk profile. In FY2024 (Prov.), the revenues were at Rs. 49.88 crore, in FY2023 at Rs. 49.94 crore and in FY2022 at Rs. 23.96 crore. The improvement in the revenue is due to stabilisation in operations post Covid in the aviation industry. The rating further draws comfort from the average financial risk profile characterized by moderate gearing and comfortable debt protection metrics. Furthermore, the company's liquidity position continues to remain adequate, backed by steady accruals, moderate current ratio and absence of any major debt funded capex plans. The rating draws benefit from the management's extensive experience in the aviation industry and established relationship with customers and suppliers. However, the rating is constrained by the working capital-intensive nature of the business.

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 company was established by Mr. Kishan Kumar. Currently, the operations of the company are being looked after by Mr. Rajiv Chopra and Mr. Aman Chopra. The company is engaged in the manufacturing of aviation refuelling equipment, construction of hydrant refuelling systems and distribution of aviation ground refuelling equipment in India. The company generates its revenues by domestic operations as well as globally; countries like Kuwait, Bangladesh, Indonesia, and Egypt to name a few.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced Managerial Personnel

GHFPL is promoted by Mr. Aman Chopra and Mr. Rajiv Chopra. The promoters have a combined experience of over 6 decades in aviation refueling equipment, construction of hydrant refueling systems and distribution of aviation ground refueling 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

The financial risk profile of the company remained average marked by moderate adjusted net worth, comfortable adjusted gearing, and average debt protection metrics. The adjusted net worth stood Rs. 10.49 crore as on FY2024 (Prov.) as against Rs. 9.74 crore as on FY2023. The quasi equity is maintained at Rs. 2.88 crore in FY2024 (Prov.) and Rs. 2.97 crore in FY2023. The adjusted gearing (debt-equity) stood at 1.38 times as on FY2024 (Prov.) as against 1.41 times as on FY2023. Interest Coverage Ratio (ICR) stood at 2.72 times for FY2024 (Prov.) as against 2.78 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 1.96 times for FY2024 (Prov.) as compared 2 times for FY2023. Total Outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 2.09 times for FY2024 (Prov.) as against 1.84 times in FY2023. Acuité believes that the financial risk profile of the GHFPL will continue to remain at similar levels at the back of low but steady accruals over the medium term.

Weaknesses

Intensive Working Capital Cycle

The company has intensive working capital of operations as reflected from 213 days of GCA days in FY2024 (Prov.) and 185 days in FY2023 as against 189 days in FY2022. Inventory days have increased to 133 days in FY2024 (Prov.) and 63 days in FY2023 as against 117 days in FY2022. The company has higher inventory days mainly because it procures large quantity of raw materials so that they can assemble and deliver refuelling equipment in a timely manner. The company's inventory holding levels depend on the order book that it receives. Debtor days have increased to 79 days in FY2024 (Prov.) and 118 days in FY2023 compared to 62 days in FY2022 and expecting to decrease further in the medium term. Moreover, the company's creditor days increased to 43 days in FY2024 (Prov.) and 11 days in FY2023 as against 22 days in FY2022. The working capital limits utilized at ~ 87 percent for 12 months ended March 2024 and current ratio stood comfortably at 1.47 times for FY2024 (Prov.). Acuité believes that the working capital cycle is likely to improve at the back of better realisations over the medium term.

Customer Concentration Risk and limited revenue visibility

GHFPL faces customer concentration risk as around 63 percent of the company's total sales in FY2023 was generated via top three customers viz. Indian Oil Corporation Limited, Ahemdabad International Airport Limited, and Bharat Petroleum Corporation Limited while the same trend continued in the previous years as well. The company operates in an industry with a tender based nature of operations which makes the company dependent on repeat orders from these customers to sustain the scale of operations. However, the risks are mitigated to a certain degree due to long track record of operations of the company. 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 company.

Rating Sensitivities

- Improvement in scale of operations & profitability
- Improvement in capital structure working capital cycle

Liquidity Position

Adequate

The company's liquidity is adequate backed by its Net Cash Accruals (NCA) of Rs. 1.26 crore as against Long-Term Debt Repayment of Rs. 0.31 crore in FY2023. The promoters also have the flexibility to bring in funds in the business in the form of unsecured loans. Additionally, the current ratio stood comfortably at 1.54 times in FY2023 as against 1.13 times in FY2022. The working capital limits are utilized ~ 87 percent for 12 months ended March 2024. The cash and bank balance stood at Rs. 0.28 crores as on FY2023. Acuité expects liquidity profile of the company to remain adequate due to sufficient accruals, absence of debt funded capex plans, flexibility of management to bring in funds, moderate utilisation of bank lines and moderate current ratio over the medium term.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term due to sustained level of topline while maintaining profitability. The outlook may be revised to 'Positive' in case the company achieves growth in revenues and higher-than-expected improvement in profitability, improvement in working capital management and capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and operating profit margins or weakening of liquidity profile on account of further elongation of working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	49.88	49.94
PAT	Rs. Cr.	1.98	1.26
PAT Margin	(%)	3.96	2.52
Total Debt/Tangible Net Worth	Times	1.38	1.41
PBDIT/Interest	Times	2.72	2.78

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>
- 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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Mar 2023	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+ Negative (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BB+ Negative (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Assigned)
16 Feb 2022	Bank Guarantee/Letter of Guarantee	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB+ Stable (Reaffirmed)
	PC/PCFC	Long Term	4.00	ACUITE BB+ Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A4+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A4+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BB+ Stable Reaffirmed Negative to Stable
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BB+ Stable Reaffirmed Negative to Stable
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A4+ Reaffirmed

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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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