

Press Release**Globe Mobility Private Limited (GMPL)****March 11, 2020****Ratings**

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1	Cash Credit (PC/PCFC/EBD/FOBN)	18.00	IVR BB+ / Stable Outlook; (IVR Double B Plus with Stable Outlook)/ IVR A4+ (IVR A Four Plus)

Details of facilities are in Annexure 1**Rating Rationale**

The rating derives strength from experienced management, growth in scale of operation, diversified brand profile and Moderate debt protection metrics. The rating however is constrained by thin profitability margin, geographical concentration risk, exposure to foreign exchange fluctuations and competitive & fragmented nature of industry.

Key Rating Sensitivities:

- **Upward Factors** - Improvement in operating income, profitability and net worth.
- **Downward Factors** - Any deterioration in revenue and/or profitability

Detailed Description of Key Rating Drivers**Key Rating Strengths****Experienced management**

The management of GMPL has got over a decade of experience in the consumer electronics industry where they have been dealing with selling of mobile handsets and accessories. Through this management has been able to forge healthy relationship with suppliers and customers. The company is being managed by Mr. Shayam Lal Goyal and his son Mr. Kapil Goyal.

Growth in scale of operation

The total operating income of the company in the past three years growing at a CAGR of ~52% in FY17-FY19. The scale of operation increased from Rs.54.59 crore in FY17 to Rs.109.00 crore in FY18 and further to Rs.110.04 crore in FY19. The company is

expanding geographically by catering to export market since FY2019. In 9 months FY20 it has achieved the revenue of around Rs.257.16 crores.

Diversified brand profile

GMPL is engaged in trading of various products such as mobile phones of branded companies & its accessories. The company is also ventured into exports since FY19. The company has a distributorship of Apple for the state of Maharashtra & Vivo for Pune.

Moderate debt metrics

The debt metrics of the company is moderate as the overall gearing of the company stood at 4.89x as on Mar 31, 2019 against 18.58x as on March 31, 2018. DSCR was reported at 1.51 improved from previous year and Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 5.85 and it has improved from previous year. The debt protection metrics commensurate with the rating level.

Key Weaknesses

Thin Profitability Margin

The company reported a PAT of Rs. 0.65 crore in FY19 which is marginally higher than the previous years' of Rs.0.36 crore and EBITDA margin stood at 1.56% in FY19 as against 1.06% in FY18. Profitability margin remained thin which are characteristic features of the trading business.

Geographical concentration risk

The revenue profile of the company is geographically concentrated with significant proportion of revenue being generated over the years has been from the state of Maharashtra. Even in FY19, around Rs.49.08 crore of total revenue was realized from Pune, Maharashtra and ~10% from Dubai. However, since FY19 the company is diversifying geographically and also started to Export primarily to Dubai.

Exposure to foreign exchange fluctuations

In FY19, exports accounted for about 9.16% of the total sales and it reached to Rs.182.23 crore in 9MFY20 approximately 41% of the total sales (Rs.257.16crore). This high growth in its top line is mainly on the account of increased exports particularly to a single client currently company does not hedge its forex exposures making it Vulnerable to currency fluctuation risk.

Competitive and fragmented nature of industry

The mobile handset and electronic goods trading industry is highly competitive and fragmented in nature. The company's business is linked to the technological up gradations/ advancements carried out in their respective products by its suppliers. This makes the company's business susceptible to changes in technology and the ability of its suppliers/vendors to adapt to the same. Additionally, the company's margins are dependent on the change of its vendors policies as regards margins/ discounts allowed to distributors like the company.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for Trading companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stretched

The company is earning Gross Cash Accruals (GCA) Rs.0.70crore during FY19 and the same is expected to increase gradually with increase in scale of operation and level of margin. Total debt to GCA is stood at 22.17 times and the current ratio of the company is stands at 1.42 times in FY19 with quick ration of below unity and its working capital utilisation is ~91% indicating a stretched liquidity position.

About the firm

Globe Mobility Private Limited (GMPL) is a Pune based Private Limited company, incorporated on September 13, 2013. The company is involved in the distribution of mobile phones and accessories for the last 6 years in Maharashtra.

Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	109.00	110.04
EBITDA	1.16	1.70
PAT	0.36	0.65
Total Debt	13.48	15.51
Tangible Net worth	0.73	3.17
EBIDTA Margin (%)	1.06	1.54
PAT Margin (%)	0.33	0.59
Overall Gearing ratio (x)	18.58	4.89

* Classification as per Infomerics' standards

Details of Non Cooperation with any other CRA: Crisil in its press release published on November 04, 2019 has classified the case under “Issuer Not Cooperating” status as the company did not provide the requisite information needed to conduct the rating exercise.

Any other information: N.A

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. Crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Long Term Facilities	Cash Credit (PC/PCFC/E BD/FOBN)	18.00	IVR BB+ / Stable Outlook/ IVR A4+	--	--	--
	Total	18.00				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company’s long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

S. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Cash Credit (PC/PCFC/EBD/F OBN)	--	--	Revolving	18.00	IVR BB+ / Stable Outlook/ IVR A4+
Total					18.00	