



Press Release

Global Powersource (India) PvtLtd

July 23, 2020

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1.	Long Term Bank Facilities	18.00	IVR BBB- /Negative (IVR Triple B Minuswith Negative Outlook)	Assigned
2.	Short Term Bank Facilities	5.00	IVR A3 (A Three)	Assigned
	Total	23.00 (Rupees Twenty three crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the above bank facilities of Global Powersource (India) Pvt Ltd (GPPL) derive strength from being a part of the Global Power group, which extends operational and managerial backing to the company. Further, the rating derives comfort from its established track record under an experienced promoter, sole distributorship of Rocket brand and its wide distribution network, varied industrial application and diversified clientele, foray into E-vehicle batteries market, support from promoters when needed and moderate capital structure of the group and the company. However, these rating strengths are partially offset by its vulnerability to forex exchange fluctuations, exposure to stiff competition, moderation in revenue growth over the last two years albeit improvement in profitability and working capital intensive nature of its operations. The outlook is negative due to expected moderation in the operating performance amidst uncertainties attributable to pandemic situations.

Key Rating Sensitivities:

Upward Factors:

- Growth in scale of operations with sustenance of operating profitability at more than 5% on a sustained basis
- Substantial improvement in its financial risk profile with improvement in debt protection metrics
- Improvement in operating cycle leading to improvement in liquidity and reduction in average working capital utilization



Press Release

Downward Factors:

- Any decline in the scale of operations and/or profitability leading to deterioration in debt protection metrics.
- Further elongation in operating cycle impacting the liquidity
- Delay in equity infusion plan by the promoters

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoters, management and established track record in the business**

GPPL is led by Mr. Dipak Gandhi who has a rich experience of 32 years in the battery distributorship and its installation and maintenance business. He has been in the industry since 1988 before establishing GPPL in 2006. He has played a key role in establishing 'Rocket' brand of UPS batteries and in acquiring its sole distributorship rights. The promoters have maintained long term relationships with manufacturers, distributors and retailers in the industry.

- **Sole distributorship of Rocket brand**

Global Power Group is the sole distributor and owner of brand named 'Rocket' batteries in India. 'Rocket' is a world class brand in battery segment manufactured by Global Battery Co. Ltd, South Korea (Formerly known as Global & Yuasa Battery Co. Ltd) which was established in the year 1952. The batteries are mainly used in UPS systems and for other electronic applications such as Solar, Data Centre, Telecommunications, Automobile etc. Its product profile majorly includes Sealed Maintenance Free Valve Regulated Lead Acid (SMF VRLA) Batteries which are essentially used for UPS applications both for standby and cyclic use. GPPL carries out branding and marketing of the products under the name of 'Rocket'.

- **Wide distribution network**

Global Power Group is a dominant player in the B2B segment in the domestic market. It has a well-established single-layer distribution model and support-service network, who further distribute products to micro-distributors and consumers across India. The extensive dealer and micro-distributor network for the distribution of batteries leads to



Press Release

wider reach and better customer services to consumers across the country. The group's distribution model and support-service network has helped it develop a strong market position in the UPS battery segment where it enjoys a market share of more than 50%. The group also has warehouses and battery testing centers across Pan India.

- **Varied industrial application and diversified clientele**

Global Power group is in the business of trading of UPS batteries which has varied industrial applications. It caters to varied industries such as Solar, IT, Telecommunications, Automobile, BFSI etc. It has established a diversified client network over the years, with its customers majorly comprising of reputed OEM, BFSI companies and dealers. Apart from the Rocket brand, the group is also engaged in distributorship of tubular batteries, lithium ion batteries etc. It also provides services such as battery installation and commissioning, battery replacement, battery testing and maintenance, UPS maintenance and service, extended warranty support etc. to its customers.

- **Foray into E-vehicle batteries market**

With the strong push towards electric mobility by the governments all over the world, the promoters have decided to tap into lithium batteries market which provides immense growth opportunities. The group has set up a wholly owned subsidiary - EnerTECT Vision Technologies - in 2018 which will be solely focused on trading of electric batteries. The investment in EnerTECT as on December 31, 2019 stood at Rs.1.70 crore in the form of equity capital and interest free loans from promoters. The company is expected to ramp up operations over the years in line with momentum in electric mobility segment both in India as well as in other countries.

- **Support from the promoters**

Promoters have provided need-based support to the company through unsecured loans. During fiscal 2020, promoters have extended interest free unsecured loans of about Rs. 9.47 crore in GPPL and overall Rs.18.82 crore in the group as a whole. Infomerics believes that given the demonstrated track record of timely fund infusions by promoters, GPPL and group will continue to get timely funding support from its promoters.

- **Moderate Capital structure of the group and the company**

The capital structure of the group remained moderate marked by overall gearing of 1.52x as on March 31, 2019 as compared to 1.27x as on March 31, 2018. The same



Press Release

deteriorated due to higher utilization of bank borrowing as on the balance sheet date. There has been infusion of unsecured loan of Rs.16.56 crore by the promoters in the group as on March 31, 2019 which is interest free and is excluded from total debt and is considered as quasi equity. As per provisional FY20, the overall gearing improved to 1.16x. The group debt protection metrics as indicated by interest coverage ratio remained moderate and deteriorated to 1.21x in FY19 as compared to 1.65x mainly due to lower EBITDA, higher interest expense and higher debt level. However, as per provisional FY20 numbers, interest coverage improves to 1.29x with reduction in debt level and decline in interest expenses.

The capital structure of the company remained moderate marked by overall gearing of 1.66x as on March 31, 2019 as compared to 1.70x as on March 31, 2018. The same improved due to accretion of profit to reserves and infusion of unsecured loan of Rs.7.96 crore by promoters which is interest free and is excluded from total debt and is considered as quasi-equity. As per provisional FY20, the overall gearing improved to 1.10x as on March 31, 2020. GPPL debt protection metrics as indicated by interest coverage ratio remained moderate and deteriorated to 1.15x FY19 as compared to 1.86x in FY18 due to lower EBITDA, higher interest expense and higher debt level. However, as per provisional FY20 numbers, interest coverage improved to 1.25x with reduction in debt level and lower interest expenses.

Key Weaknesses

- **Vulnerability to forex exchange fluctuations**

GPPL has forex volatility as ~95% of the total purchases are through imports and GPPL selectively hedges its forex exposure. Hence, any substantial forex volatility could result in forex losses resulting in lower EBITDA margins and pressured credit metrics. Unhedged foreign currency exposure of GPPL as on March 31, 2020 is Rs.0.06 crore.

- **Exposure to stiff competition**

The UPS industry is characterized by high degree of competition with a presence of variety of players in addition to cheaper imports from China, Japan and Taiwan. Although, the promoters have decades of experience in this industry, the group's modest market position and established brand name of "Rocket" helps to a large extent the group remain exposed to intense competition, thereby lowering the bargaining power with its customers.



Press Release

- **Moderation in revenue growth over the last two years albeit improvement in profitability**

The group has witnessed a decline of 17.15% y-o-y in sales from Rs.569.03crore in FY18 to Rs.471.43crore in FY19. The revenue moderated further in FY20 by ~29% to Rs.334.28crore in FY20 (Prov.). The moderation in revenues in FY20 was primarily on account of conscious decision of the group to consolidate its operations with reduction in working capital requirements and pare its debt levels. Further, revenues were impacted during Q4 FY20 due to prevailing Covid 19 situation in China. The EBITDA margin of the group remained in the range of 3.15%-3.64% during the last three years (FY18-FY20.)

The company has witnessed a decline of ~29% y-o-y in sales from Rs.392.67 crore in FY18 to Rs.277.40 crore in FY19 mainly due to shutdown of one of the major suppliers of the company which lead to decline in the revenues during the year. The revenue declined further in FY20 by ~58% to Rs.116.00 crore. The moderation in revenues in FY20 was primarily on account of conscious decision of company to consolidate its operations in light of extreme forex volatility. In order to tide over impact of forex, the company decided to invoice certain transactions through Global Power Source Pte. Ltd, a family owned entity in the same line of business. The company has already floated its fully owned subsidiary based out of Singapore which is expected to act as invoicing arm for transactions going forward in the event of extreme currency movements. It is also to be noted that the said decrease in revenues has been accompanied with commensurate decrease in bank lines of the company. Also there has been increase in overall profitability with improvement in EBITDA margin from 4.26% in FY18 to 4.83% in FY19 and 7.52% in FY20.

- **Working capital intensive operations**

The operations are working capital intensive marked by its elongated operating cycle over the years. The receivable period of the group remained high due to high competition in the market. The group generally offers credit period of about 90-120 days to its customers. The group maintains an average inventory of about 30-60 days; high inventory is to maintain adequate stock across the product varieties to meet the customer demand. Average month end utilization is also remained high~97.86% for last 12 months ended March 31, 2020.



Press Release

Analytical Approach: Consolidated Approach

Infomerics analytical team has consolidated the business and financial profiles of GPPL and Global Power Source Pte. Ltd, hereafter referred as Global Power Group, as there are operational synergies between these entities, similarity of business, common promoter family and fungibility of cash flows.

The lists of Companies considered for consolidation are given in Annexure 2.

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The group has adequate liquidity profile as seen in adequate accruals to meet maturing debt repayment obligations. The group expects sufficient net cash accrual of Rs. 8.33 cr in FY21 against its negligible debt repayment of Rs.0.51 crore. The liquidity profile is also underpinned by sound financial flexibility of the promoters to introduce need based funds in the business; the same is reflected through continuous fund infusion in the unsecured loans. GPPL had generated sufficient cash accrual of around Rs.1.93 Cr in FY20 (Provisional) as against nil repayment obligation. The company is expected to generate steady cash accrual over the near medium term against nil repayment obligation. However, the Company's average utilisation of its bank lines was high, at around ~98 per cent over the 12 months ended March 2020 indicating a limited liquidity buffer.

About Global Power source (India) Pvt. Ltd

Global Power source (India) Private Limited (GPPL) was established in the year 2006 by Mr. Dipak Gandhi. GPPL is in the business of trading of UPS batteries in India which has varied industrial applications. The company is the sole distributor in India for 'Rocket' brand of batteries which are used mainly for UPS systems and other electronic applications.

Global Power Source Pte Ltd, domiciled in Singapore, is a group company of Global Power source (India) Pvt Ltd. The company is owned by Mr. VinitGandhi(son of Mr. Dipak Gandhi). The company is engaged in similar line of business of distribution of re-packaged batteries, semiconductor devices, uninterrupted power supply (UPS) systems, modems etc.



Press Release

Financials: Combined

(Rs. crore)

For the year ended# / As On	31-12-2019 Combined^	31-12-2020 Combined
Total Operating Income	471.43	334.28
EBITDA	17.15	11.78
PAT	3.41	3.31
Total Debt*	102.11	86.46
Tangible Net worth*	67.31	74.76
EBITDA Margin (%)	3.64	3.52
PAT Margin (%)	0.76	0.98
Overall Gearing Ratio (x)*	1.52	1.16

*Excluding unsecured loan from promoters from debt and considering it as quasi equity.

^ GPPL is Audited while GPS Pte is Provisional

#Classification as per Infomerics' standards.

Financials (Standalone of GPPL)

(Rs. crore)

For the year ended* / As On	31-03-2019 Audited	31-03-2020 Provisional*
Total Operating Income	277.40	116.00
EBITDA	13.40	8.72
PAT	0.82	0.75
Total Debt*	61.72	43.23
Tangible Net worth*	37.14	39.40
EBITDA Margin (%)	4.83	7.52
PAT Margin (%)	0.37	0.64
Overall Gearing Ratio (x)*	1.66	1.10

*Excluding unsecured loan from promoters from debt and considering it as quasi equity.

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Brickwork Ratings has moved the rating to 'issuer non cooperating' category vide its press release dated March 22, 2019.

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	18.00	IVR BBB-/ Negative	-	-	-
2.	Bank Guarantee	Short Term	5.00	IVR A3			

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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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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Press Release

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Facility-Cash Credit	-	-	-	18.00	IVR BBB-/Negative
Short Term Facility-Bank Guarantee	-	-	-	5.00	IVR A3

Annexure 2: List of companies considered for consolidation

S. No.	Name of Company	Relation
1.	Global Powersource (India) Pvt Ltd	Associate
2.	Global Power Source Pte. Ltd	Associate