



Press Release

Globus Industries and Services Limited

April 06, 2021

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Bank Facilities- Long Term	25.20	IVR B/Stable (IVR B)
2	Bank Facilities- Short Term	19.80*	IVR A4 (IVR A Four)
	Total	45.00	

*Includes proposed limit of Rs. 1.80 crore

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Globus Industries and Services Limited derives comfort its experienced management, established relationship with suppliers and customers, order backed nature of business, promoter's support through infusion of funds and Steady demand prospects of edible oil industry. However, the strengths are partially offset by past delays in servicing of debt, weak financial risk profile, exposure to risk of foreign exchange fluctuation and highly fragmented industry and volatility to international edible oil prices.

Key Rating Sensitivities

Upward Rating Factors

- Continued timely servicing of debt obligations
- Growth in scale of operations and Improvement in financial risk profile and liquidity

Downward Rating Factors

- Decline in revenue and profitability on a sustained basis affecting the liquidity position
- Any further instance of delay in debt servicing



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management

The promoter of the company, Mr. Suraj Gupta has an experience of about 35 years in the edible oil trading and manufacturing. The promoters are assisted by a team of professionals having relevant industry experience. The promoters have other entities that are engaged in the similar business since a long time.

Established relationship with suppliers and customers

The promoters have been engaged in manufacturing and trading of edible oils for about 20 years. Over the years, it has developed an established relationship with its customer and supplier base. Further, the other entities of promoter's family are also engaged in same line of business, which drives the bargaining power of the company.

Order backed nature of business

The company generally engages in trading and manufacturing operations based on back-to-back orders from their customers and suppliers. The price is fixed before the shipment takes place. With respect to purchases, the entity opens a 180 days Letter of Credit in favour of suppliers. Meanwhile, it generally gives credit to its customers of a similar period, resulting in minimal funds being blocked in working capital.

Promoter's support through infusion of funds

The unsecured loan from promoter and body corporate in FY20 stood at Rs. 55.86 crore which has been treated as quasi equity as same has been subordinated by the bank. The promoters have consistently infused additional funds in the business validated by total infusion of Rs. 36.17 crore between FY17-FY20.

Steady demand prospects of edible oil industry

The edible oil production in India has remained stagnant over the years, which is insufficient to fulfil the domestic requirements of edible oil. Consequently, the country's dependence on imports has increased over the years and currently around 65-70% of the domestic edible oil



Press Release

requirements are met through imports. The same provides ample growth opportunities to traders like Globus Industries and Services Limited to scale-up the business though stiff competition exists.

Key Rating Weaknesses

Past delays in servicing of debt

The company had delayed the principal repayment on its term debt for the past four years because of poor liquidity. However, the management has instilled various measures and checks to ensure financial discipline which is validated from satisfactory conduct and timely servicing of debt obligations in the months of December 2020, January 2021 and February 2021. The cash flows from business seem adequate to enable the Company to maintain satisfactory conduct going forward.

Weak financial risk profile

Financial risk profile was marked by a negative total outside liabilities to tangible network (TOL/TNW) ratio as on March 31, 2020. Debt protection metrics were also muted, with interest coverage and debt service coverage ratio at 1.60 times and 0.59 times respectively, in FY20. However, promoters had infused long term unsecured loans of Rs. 36.17 crore in FY17-FY20 to support the operations and servicing requirements. The current ratio is at 1.05x on 31st March 2020.

Exposure to risk of foreign exchange fluctuation

The company is exposed to risk of adverse movement in foreign exchange. The company generally imports from countries like Singapore, Malaysia & UAE while sales to counterparties in India are made on high sea basis. The company generally deals in USD with respect to purchases, whereas the sales are generally made in rupee. As the entity operates on a back to back arrangement, this risk is mitigated to a large extent. Further, the entity has obtained Forward Cover facility for about 90-95% of the exposure from the lending bank which also reduces the risk to some extent.

Highly fragmented industry and volatility to international edible oil prices



Press Release

Owing to low entry barriers the edible oil trading industry is highly fragmented with presence of numerous organised and unorganised players. Moreover, palm oil prices are majorly influenced by the demand and supply situation in Indonesia and Malaysia and regulations in those countries. The company largely operates on back-to-back purchase and sales order basis; hence, mitigating the price risk to an extent.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading and Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

Liquidity of the company has been severely impacted due to the delays in realization from the customers as a result of business disruption caused by covid-19 pandemic. The company availed the moratorium from the lenders on terms as per bank policy. Further, the company has sufficient gearing headroom driven by infusion of promoters equity of Rs.55.86 crore which has been treated as quasi equity.

About the Company

Incorporated in 1993, Globus Industries and Services Limited is engaged in the manufacturing and trading of edible oils. The manufacturing operations include Vanaspati Oil, Refined oils and Mustard oils. The manufacturing plant is located in Village Khippanwali, Teh. Fazilka, Distt. Ferozepur, Punjab. Manufacturing operations primarily include sales of Vanaspati Oil, Refined oils and Mustard oils. The company aligns its procurement with sales orders and executes manufacturing operations on a back to back basis.



Press Release

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	112.43	150.73
EBITDA	8.57	6.18
PAT	1.63	0.84
Total Debt	26.98	21.36
Tangible Net worth*	-5.75	0.82
EBITDA Margin (%)	7.62	4.10
PAT Margin (%)	1.45	0.56
Overall Gearing Ratio (x)^	-4.69	26.05

*Unsecured loan treated as quasi equity

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

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)	Rating	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.	Working Capital Term Loan	Long Term	10.98	IVR B/Stable (IVR B)	-	-	-
2.	Funded Interest Term Loan (FITL)	Long Term	2.01	IVR B/Stable (IVR B)	-	-	-
3.	Guaranteed Emergency Line (GECL) Covid	Long Term	4.45	IVR B/Stable (IVR B)	-	-	-
4.	Term Loan	Long Term	0.35	IVR B/Stable (IVR B)	-	-	-
5.	Covid Loan	Long Term	0.56	IVR B/Stable (IVR B)	-	-	-
6.	Cash Credit	Long Term	6.85	IVR B/Stable (IVR B)	-	-	-



Press Release

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
7.	Letter of Credit	Short Term	19.80*	IVR A4 (IVR A Four)	-	-	-

*Includes proposed limit of Rs. 1.80 crore

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Karan Girdhar
Tel: (011) 2465 5636
Email: kgirdhar@infomerics.com

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and



Press Release

information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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 Bank Facilities- WCTL	-	-	-	10.98	IVR B/Stable (IVR B)
Long Term Bank Facilities- FITL	-	-	-	2.01	IVR B/Stable (IVR B)
Long Term Bank Facilities- GECL	-	-	-	4.45	IVR B/Stable (IVR B)
Long Term Bank Facilities- Term Loan	-	-	-	0.35	IVR B/Stable (IVR B))
Long Term Bank Facilities- Covid Loan	-	-	-	0.56	IVR B/Stable (IVR B)
Long Term Bank Facilities- Covid Loan	-	-	-	6.85	IVR B/Stable (IVR B)
Short Term Bank Facilities- Letter of Credit	-	-	-	19.80*	IVR A4 (IVR A Four)

*Includes proposed limit of Rs. 1.80 crore



Press Release

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lender-Globus-Industries-and-Services-Limited-06-apr-21-.pdf>

