Globalydk Electric Private Limited

January 13, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	35.00	CARE BBB; Stable	Assigned
Short Term Bank Facilities	5.00	CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Globalydk Electric Private Limited (GEPL) derives strength from its strong promoters having extensive industry experience, parentage of Global Autotech Limited (GAL), strategic location of the plant along with the technical support from Yamamoto Electric Corporation (YEC). By virtue of its parentage (subsidiary of GAL), GEPL benefits from group synergies in the form of established relationship with the reputed OEMs as well as financial and operational support. The ratings, however, remain constrained by the susceptibility of margins to volatility in raw material, foreign exchange fluctuation risk, nascent stage of operations with modest turnover and cyclical nature of the automotive industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustainable improvement in the scale of operations beyond Rs 200 crore with PBILDT margin of more than 12%
- Improvement in capital structure there by leading to overall gearing below 1x

Negative factors

- Decline in PBILDT margin below 9%
- Deterioration in business operations and financial risk profile of Global Autotech Limited
- Change in management or effective control of promoter group

Analytical approach: Standalone, after factoring in operational and financial linkages with the parent, Global Autotech Limited.

Key strengths

Strong promoters and parentage

GAL is engaged in the manufacturing of aluminium die castings and other machined components for the automotive industry. It is one of the largest suppliers of piping assemblies (high & Low Pressure), tube connectors, valves, rotor, pulley, steel shafts, compressor pistons & swash plates for automotive AC systems. The company has an established relationship with reputed OEMs like TATA Motors, FIAT India, Mahindra & Mahindra, MSIL amongst others through its group company, Subros Limited. Subros is a leading automotive thermal system manufacturer in the domestic market with strong market position in the PV industry. Over the years, the company has gradually expanded its product portfolio to include thermal systems for homes, bus cabins, truck cabins, railway coaches and driver cabins. The group is promoted by the Suri family having experience of more than three decades in the automotive industry. GAL has extended financial support to GEPL in the form of corporate guarantee for the bank facilities along with the unsecured loans which stood at Rs 8.56 crore as on March 31, 2022. The company is managed by Ms. Shradha Suri, chairperson and Managing Director of Subros Limited.

Technical Collaboration from YEC, Japan

GEPL is promoted by GAL and YEC wherein the latter holds 26% stake in the company. This JV is set up for bringing in the technical support from YEC having specialisation in manufacturing of motors since 1934 which find application in wide variety of home appliance and automotive components. With the technical support of YEC, the manufacturing line was successfully setup in FY20. Apart from the technical support, YEC extends operational support by way of supplying of sub assembly parts required for the manufacturing of blower motor with credit period upto 45 days.

Established relationship with MSIL albeit customer concentration risk

The group has established relationship with the top OEMs/ Tier 1 suppliers through Subros Limited. The product manufactured by GEPL cannot be supplied directly to the OEMs and therefore, the blower motors are supplied to Subros for assembling into HVAC unit. Currently, company is supplying blower motors to MSIL only, exposing it to customer concentration risk, though, the same is mitigated to great extent due to established relationship of MSIL with the group and also GEPL is the sole supplier for multiple models of MSIL like Swift, Desire, Baleno, Ertiga, Vistara, Breeza, Eeco and is targeting to tap other models of MSIL along with the focus of adding new OEMs.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Strategic location of the plant
The plant is located in greater Noida which is in proximity to the plant of Subros Limited and is also near to the Dadri port where in blower motors can be supplied to the other assembly units of Subros Limited benefitting the company in saving freight cost.

Key weaknesses
Nascent Stage of operations
The company has started its operations in FY20 from trading activity wherein the blower motors were imported and sold to Subros Limited. Till FY21, trading activity constituted ~80% of the total operating income which curtailed to ~11% in FY22 as company started manufacturing blower motors in its assembly line witnessed by the increase in capacity utilisation from 6% in FY21 to 30% in FY22. The total operating income stood at Rs 36.34 crore (PY: Rs 34.22 crore) with PBILDT margin of 9.87% during FY22 (PY: 1.27%). Despite operational profits, company reported net loss of Rs. 2.76 crore on account of under absorption of fixed overheads. The company has completely closed its trading activity from April 2022 and has recorded total operating income of Rs 67 crore with PBILDT margin of 14.03% during 9MFY23 (refers to the period April 01 to December 31). Improvement in the PBILDT margin is on account of economies of scale thereby leading to better absorption of fixed overheads. The company has started running at more than 90% of its installed capacity from Sept 2022 onwards, thus further scaling up of revenue would entail capex and shall remain a key monitorable.
The capital structure of the company remains modest marked by overall gearing of 3.16x as on March 31, 2022 with interest coverage ratio of 1.07x. However, with the accretion of profits, the capital structure is expected to improve going forward.

Susceptibility of margins to volatility in raw material prices along with forex risk
GEPL import multiple sub-parts from Japan, Taiwan and China while some sub-parts are procured domestically based on the arrangement with customer on model to model basis, though, import constitutes ~65% of the total raw material requirement in FY22. The prices of these sub-parts are driven by demand and supply conditions prevalent in the market coupled with strong linkage with the global LME-driven prices. The company has a mechanism wherein any revision in the raw material prices is reset by the OEMs based on last billing and change in prices is accommodated with a lag of one quarter.
Considering the foreign exchange volatility risk, the company has a policy of hedging a minimum of 50% and upto 100% of its outstanding forex position through forwards. The company reported exchange rate profit of Rs. 0.37 crore during FY22 (PY: Rs.0.61 crore). In order to reduce its dependence on imports, company is under the process of introducing import substitute of some sub-parts in the upcoming models of MSIL.

Cyclical nature of the automotive industry
The automobile industry is cyclical in nature and automotive component suppliers' sales are directly linked to the sales of auto OEMs. Furthermore, the auto-ancillary industry is competitive with the presence of a large number of players in the organized as well as unorganized sector. While the organized segment majorly caters to the OEM segment, the unorganized segment mainly caters to the replacement market and to Tier II and Tier III suppliers.

Liquidity: Adequate
The company has adequate liquidity marked by expected GCA of Rs 12.81 crore as against scheduled debt repayment of Rs 11.71 crore during FY23. Above debt obligation includes unsecured loan extended by GAL of Rs 6 crore. The bank limits are backed by unconditional and irrevocable corporate guarantee of GAL for the tenor of the facilities. Average utilisation of fund-based limits for the past 12 months ending Dec 2022 stood at ~65%. No additional capex is envisaged by the management.

Applicable criteria
Policy on default recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Auto Ancillary Companies
Manufacturing Companies

About the company
Globalydk Electric Private Limited (GEPL), incorporated in 2018, engaged in the business of design & manufacturing of blower motors which find application in multiple products such as automotive components, home appliances, etc. The company is a 74:26 joint venture (JV) between Global Autotech Ltd and Yamamoto Electric Corporation, Japan having installed capacity of 12.50 lakh units as on December 31, 2022.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	34.22	36.34	67.00
PBILDT	0.43	3.59	9.40
PAT	-2.52	-2.76	2.70
Overall gearing (times)	2.66	3.70	NA
Interest coverage (times)	0.31	1.07	NA

A: Audited; UA: Unaudited; NA: Not Available
Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4
Lender details: Annexure-5
Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March-26	29.00	CARE BBB; Stable
Fund-based - LT-Working Capital Limits		-	-	-	6.00	CARE BBB; Stable
Non-fund-based - ST-Working Capital Limits		-	-	-	5.00	CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	29.00	CARE BBB; Stable				
2	Fund-based - LT-Working Capital Limits	LT	6.00	CARE BBB; Stable				
3	Non-fund-based - ST-Working Capital Limits	ST	5.00	CARE A3				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - ST-Working Capital Limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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