

## Globion India Private Limited

March 21, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	43.72 (Reduced from 60.36)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable )	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
Short Term Bank Facilities	3.82	CARE A2 (A Two )	Revised from CARE A3+ (A Three Plus)
<b>Total Bank Facilities</b>	<b>47.54</b> <b>(Rs. Forty-Seven Crore and Fifty-Four Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Globion India Private Limited (GIPL) is on account significant improvement in profits during FY21 (refers to the period April 01 to March 31) and 9MFY22. The rating also favorably considers improvement in financial metrics of its holding company viz. Suguna Holdings Private Limited (SHPL). The ratings continue to remain underpinned by strong parentage, diversified product portfolio of GIPL, satisfactory capital structure, low reliance on working capital borrowings and stable industry outlook. The ratings strengths are however partially offset by small scale of operations, elongated inventory days, client concentration risk and competition from established player in the market.

#### Rating Sensitivities:

##### Positive Factors- Factors that could lead to positive rating action/upgrade:

- ✓ Notable improvement in scale of operations while maintaining PBILDT margin above 15% on a consistent basis.

##### Negative Factors- Factors that could lead to negative rating action/downgrade:

- ✗ Overall gearing deteriorating above 1.00x in any of the projected years
- ✗ Increase in inventory period above 200 days or weakening of liquidity profile of the company, in future.

#### Detailed description of the key rating drivers

##### Key Rating Strengths

##### Part of Suguna group, a reputed player in the poultry Industry

Globion India Private Limited is a 100 % subsidiary of Suguna Holdings Private Limited (SHPL). SHPL is incorporated in 2008 is a closely held private limited company and is one of the India's largest poultry integrators. The company was floated to act as a holding company to all the investments in group. It has diversified its investments in Agri, Food and Biological, sectors. The Company has incorporated wholly owned subsidiaries in Sri Lanka, Bangladesh, and Africa apart from India.

##### Strong financials of Suguna Foods Private Limited with large scale of operations

The company is the largest integrated player in the poultry industry with significant market share in broiler sales. It also has a large scale of operations of Rs. 9177.33 crore for FY21. With the improvement in market conditions for the poultry sector in FY21 and increase in realisations, the company reported operating margins of 6.14% compared to operating losses in FY20. The gearing improved to 1.24x as on March 31, 2021 from 1.74x as on March 31, 2020.

##### Significant improvement in profits of GIPL

GIPL achieved a PBILDT of 17.63 crore and PBILDT margin of 18.46% in FY21 as against a PBILDT of 9.71 crore and margin of 8.56% in FY20. The PBILDT margin improved during FY21 on account of discontinuation of livestock business (like auqa/fish feeds and related products) which was a low margin business coupled with increase in sale of high margin vaccines after capacity expansion. The company had also undertaken cost optimizing measures to manage the adverse impact of COVID on

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

the business. In line with the increase in the PBILDT margin the PAT margins of the company also grew from 1.55% in FY20 to 8.78% in FY21.

#### **Comfortable capital structure and debt coverage indicators**

GIPL has comfortable capital structure marked by overall gearing of 0.60x as on March 31, 2021 (0.68x as on March 31, 2020). The company has no major term loans and limited reliance on working capital bank lines. Furthermore, the debt coverage indicators marked by PBILDT interest coverage and TDGCA improved and continue to remain comfortable at 5.80x and 3.10x respectively during FY21 as compared with 2.65x and 8.48x during FY20 backed by healthy accruals during the year.

#### **Diversified product portfolio**

The company has been gradually increasing its portfolio of product in the last few years. The Company initially started with six products which gradually increased to more than 40 products in FY21. The company majorly caters to poultry vaccines however in last few years the demand for inactivated vaccines has also increased significantly owing to which company has completed capex of Rs 32.50 crore (Rs 26.00 crore term loan and Rs 6.50 crore internal accruals) to increase the capacity of inactivated vaccines from 3.45 Lakhs units per annum to 8.06 lakhs units per annum. The company has also received WHO-GMH certifications for many of its products as well as for its manufacturing plant which will help it to enter international markets.

#### **Satisfactory infrastructure and in house manufacturing facility**

The company has commissioned a state-of-the-art vaccine manufacturing facility complying with GMP standards. The manufacturing plant is located in a 12-acre campus in the APIIC Genome Valley, Medak, Telangana. The plant is designed to produce both the Live and Inactivated – poultry vaccines by Chick Embryo, Tissue Culture and Fermentation based methods. GIPL manufacturing unit has R&D, animal house, quality control, ware-house, boiler house, air compressor chiller for air conditioning, engineering house and water treatment plant (recycling), power control unit and DG set for power back up. GIPL is a team of more than 110 professionals in various disciplines of Chemistry, Pharma, Microbiology, Biotechnology and Veterinary Science of more than two decade of experience. Company has also entered arrangements with various universities in USA, Germany, and South Korea for supply of raw materials (Seed Virus) for manufacturing of vaccines and tablets for poultry related diseases.

#### **Key Rating Weaknesses**

##### **Small scale of operations**

The total operating income (TOI) of the company remains small and further declined from Rs. 113.43 crore in FY20 to Rs. 95.52 crore in FY21 representing a degrowth of 16%. During FY21, the company has discontinued sale of Live stock, Aqua and Fidomate Health care products. With the said development, the revenues of the company from sale of trading products has declined from Rs. 35.39 crore in FY20 to Rs. 16.88 crore leading to lower TOI. The sale of poultry vaccines remained stable at Rs. 78.29 crore in FY21 as against Rs. 77.88 crore in FY20. During 9MFY22, the company achieved a TOI of Rs. 76.68 crore (PY: 70.94 crore).

##### **Elongated operating cycle**

The operating cycle of the company remained stretched at 218 days during FY21 as compared with 194 days during FY20. The operating cycle is stretched mainly on account of high inventory period at 168 days in FY21 (171 in FY20) and reduction in creditor days to 34 days during FY21 (49 days in FY20). High Inventory days is largely due to the manufacturing process of the product being manufactured by GIPL which requires average two-three months of work in progress for various stage of product development for the formulation, processing, stimulations, and quality check, etc. Furthermore, the company is required to hold finished goods for one-two months for quality and audit test of the product and live experiment of the product before offloading in the market.

##### **Client concentration risk**

The revenue profile of the company is concentrated towards group companies especially towards the Suguna Foods Private Limited which increased in FY21 to 43.53% of sales from 40.09 % of sales in FY20 and 27.29% of sales in FY19. Nonetheless,

the company is gradually planning to reduce its revenue concentration and has entered into new geographies in domestic as well as international space.

### Competition from established players in the market

GIPL faces competition from other players in organised and unorganised markets, the industry growth prospects also depend on poultry demand which is in turn exposed to risks such as deceases and other risks inherited to poultry and consumer food industry.

### Liquidity analysis – Adequate

The Company has adequate liquidity position with adequate accruals generated as against moderate repayment obligations. The company has sufficient gearing headroom and has not envisaged any further debt funded capex. Liquidity is supported by an above unity [current ratio of the company](#) that [stood at 1.68x](#) along with positive cash flows from operating activities as on [March 31, 2021](#).

### Analytical approach – Standalone (factoring linkages with Suguna Holdings Private Limited)

CARE has factored continued as well as expected operational, managerial, and financial support from ultimate holding company i.e. SHPL. SHPL holds 100% stake in GIPL.

### Applicable Criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios - Financial Sector](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Rating Methodology – Manufacturing Companies](#)

[Rating Methodology: Notching by factoring linkages in Ratings](#)

### About the Company

Incorporated in October 2006, Globion India Private Limited (GIPL) commenced its business operations from April 2010 and is promoted by Mr Soundararajan and Dr Dibyendu Kumar Dey. GIPL is ISO 9001:2008, OHSAS18001:2007, ISO 14001:2004 certified company with WHO-GMP accreditation. GIPL is engaged in manufacturing of advanced poultry vaccines for both live and inactivated categories for breeders, layers and broilers. Its manufacturing facility is located in a 12-acre campus at Biotech Park, Genome Valley, Medak district, Telangana. The company's key raw materials such as Specific Pathogen Free (SPF) eggs, SAN eggs, Polyvac oil, mount aide and diluents are procured from both domestic markets and international markets (Germany). The company sells its product under the brand name "Globivac".

GIPL is a wholly-owned subsidiary of Suguna Holding Private Limited (SHPL). Suguna Foods Private Limited is the flagship company of Suguna group contributing close to 95% of the consolidated revenue and profits.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	113.43	95.52	76.68
PBILDT	9.71	17.63	24.53
PAT	1.76	8.39	NA
Overall gearing (times)	0.68	0.60	NA
Interest coverage (times)	2.65	5.80	NA

A: Audited, NA: Not available

**Status of non-cooperation with previous CRA:** NA

**Any other information:** NA

**Rating History for last three years:** Please refer Annexure-2

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

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	February 2026	25.72	CARE BBB+; Stable
Fund-based - LT-Cash Credit		-	-	-	18.00	CARE BBB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	2.50	CARE A2
Non-fund-based - ST-Letter of credit		-	-	-	1.00	CARE A2
Non-fund-based - ST-Loan Equivalent Risk		-	-	-	0.32	CARE A2

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	25.72	CARE BBB+; Stable	-	1)CARE BBB; Stable (24-Mar-21)	1)CARE BBB; Stable (05-Mar-20)	1)CARE BBB; Stable (11-Mar-19) 2)CARE BBB; Stable (05-Apr-18)
2	Fund-based - LT-Cash Credit	LT	18.00	CARE BBB+; Stable	-	1)CARE BBB; Stable (24-Mar-21)	1)CARE BBB; Stable (05-Mar-20)	1)CARE BBB; Stable (11-Mar-19) 2)CARE BBB; Stable (05-Apr-18)
3	Non-fund-based - ST-Bank Guarantee	ST	2.50	CARE A2	-	1)CARE A3+ (24-Mar-21)	1)CARE A3+ (05-Mar-20)	1)CARE A3+ (11-Mar-19) 2)CARE A3+ (05-Apr-18)
4	Non-fund-based - ST-Letter of credit	ST	1.00	CARE A2	-	1)CARE A3+ (24-Mar-21)	1)CARE A3+ (05-Mar-20)	1)CARE A3+ (11-Mar-19) 2)CARE A3+ (05-Apr-18)
5	Non-fund-based - ST-Loan Equivalent Risk	ST	0.32	CARE A2	-	1)CARE A3+ (24-Mar-21)	1)CARE A3+ (05-Mar-20)	1)CARE A3+ (11-Mar-19) 2)CARE A3+ (05-Apr-18)

\* Long Term / Short Term

#### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities - NA

#### Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple
5	Non-fund-based - ST-Loan Equivalent Risk	Simple

#### Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. 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](mailto:care@careedge.in) for any clarifications.

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