



Press Release

Globe Civil Projects Private Limited

September 18, 2023

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	16.00 (Enhanced from Rs.14.00 Cr)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	94.00 (Enhanced from Rs.80.00 Cr)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	110.00 (INR One hundred ten crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Globe Civil Projects Private Limited (GCPPL) continues to derive comfort from its established track record operations & long standing presence in the construction sector, highly experienced managerial & technical team, comfortable financial risk profile and capital structure with moderate debt protection metrics, healthy order book position reflecting satisfactory near to medium term revenue visibility and a reputed clientele leading to lower counterparty default risk. However, these rating strengths are partially offset by its project concentration high as top three projects constitute ~78% of the outstanding order book, susceptibility of profitability to volatile input prices, presence in highly fragmented & competitive construction sector with significant price war and a high working capital limit utilisation marked by elongated working capital cycle.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and profitability leading to improvement in cash accruals and debt protection metrics.
- Improvement in the liquidity position and working capital management with improvement in operating cycle.



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Downward Factors

- Dip in operating income and/or profitability impacting the debt protection metrics.
- Sustenance of the capital structure with improvement in the debt protection metrics with interest coverage ratio.
- Further elongation in operating cycle impacting the liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record & established presence in the construction sector

The company has established its track record of operations since 2002 and demonstrated its ability to execute large projects. Some of the notable large projects include indoor stadium for badminton and squash for Commonwealth Games 2010 at Siri Fort Sports Complex, Lawyers' Chamber at District Court Complex at Rohini, new ward blocks with 500 beds for G.T.B Hospital at Shahdara, New Delhi, Indian Institute of Management, Noida etc. The company has completed large number of construction projects and has positioned itself as one of the established players in the construction sector.

Highly experienced managerial & technical team

Mr. Ved Prakash Khurana, promoters of the company, looks after the overall operations of the company, having an experience of around four decades in construction/infrastructure sector. He is well supported by other directors and a well experienced management team comprising mainly highly qualified & experienced professionals.

Reputed clientele leading to lower counterparty default risk.

The company's current pending order book comprises urban transport and infrastructure projects awarded mainly by Government organisations like CPWD, NDMC, NBCC. Its focus



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remains primarily on the Government sector because of low credit risk. Even within the Government space, it has been focussing on projects from CPWD, PWD Delhi or organisations associated with the Central Government such as NBCC.

Healthy order book reflecting satisfactory near to medium term revenue visibility.

The company has a strong order book position (Rs.~941 crore) as on August 31, 2023, which is about 4.83 times of its FY23 revenue (i.e. Rs.195 crore). The orders are expected to be completed within next three years, indicating a satisfactory medium term revenue visibility.

Comfortable financial risk profile

The financial risk profile of GCPPL is marked by moderate scale of operations, comfortable profitability & net worth base, moderate gearing and debt coverage indicators. The Total Operating Income of the company stood moderate at Rs.195.00 Crs in FY23 provisional compared to Rs.196.56 Crs in FY22. The EBITDA margin stood comfortable at 10.67% in FY23 (provisional) compared to 10.49% in FY22. The net worth of the company stood comfortable at of Rs.62.46 crore as on March 31, 2023 (provisional) as against Rs.56.27 crore as on March 31, 2022, the leverage indicators remained moderate marked by the overall gearing ratio at 1.04x as on March 31, 2023 (provisional) compared to 1.47x in FY22. Further, the total indebtedness of the company also remained moderate at 2.54x as on March 31, 2023 (provisional) (2.77x as on March 31, 2022). The debt protection metrics of the company also remained moderate as reflected by interest coverage ratio stood at 1.81 times in FY 2023 provisional compared to 2.20 times in FY2022, however DSCR stood on lower side at 0.88 in FY 2023 (provisional) compared to 0.92 times FY2022.

Key Rating Weaknesses

Project concentration high as top three projects constitute ~78 % of the outstanding order book

The top three projects namely Tele Communication India Limited, Rail Land Development Authority and CPWD Bengaluru constitute of ~Rs.736 crore (~78%) out of the total



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outstanding order book worth ~Rs. 941.81 crore signifying skewed nature of its order book. The timely and efficient execution of these projects remains a key monitorable.

Highly fragmented & competitive nature of the construction sector with significant price war

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector a few years back resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.

Working capital nature of business

The company's nature of business remained working capital intensive as the company's is into Civil construction activity where high debtor and inventory maintained. High working capital limit utilisation and stretched payable cycle and inventory. The same has been witnessed company's elongated working capital cycle of 146 days in FY23 provisional compared to 148 days in FY22. Further the company's fund based working capital utilization stood high at 92 percent.

Susceptibility of profitability to volatile input prices

Major raw materials used in civil construction activities are steel and cement which are usually sourced from large players at proximate distances. While the input prices being generally volatile and having direct linkage with state of the economy, the cost of raw materials, as a percentage of gross billing, remained at the same level during the last two years on account of optimum use of raw materials. However, comforts can be derived from the fact that most of the contracts having escalation clause.

Analytical Approach: Standalone

Applicable Criteria

[Rating Methodology for the Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)



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[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The liquidity position of the Company remained adequate as reflected gross cash accruals of Rs. 8.58 crore in FY23 (Provisional) as against maturing debt obligations of around ~ Rs. 7 crores and it is expected to remain adequate in the near to medium term driven by sufficient cushion in its expected accruals as compared to debt repayment obligation FY24-26. Moreover, the company has no major near term capex plan, which imparts comfort. Besides, its average bank limit utilisation remained moderate at 92 percent in the last 12 months ended July 2023, indicating a moderate liquidity buffer. Further the current ratio stood comfortable at 1.45x in FY23 (Provisional).

About the Company

Delhi based Globe Civil Projects Private Limited (GCPPL) was set up in 1981 as a partnership firm, Globe Construction Company, by Mr. Ved Prakash Khurana and his brother, late Mr. Jagdish Khurana. It was reconstituted as a private limited company in 2002. It is an ISO 9001:2008 certified company and is involved in the business of civil construction. It is a 6 registered Class-I (buildings and roads) contractor with the CPWD. It is also registered as a civil contractor with Mahanagar Telephone Nigam Ltd. and the Delhi Metro Rail Corporation. It is involved in construction contracting work and undertakes projects involving construction of residential and commercial buildings, structures and other civil work related to infrastructure development for the Government and private organisations.

Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31.03.2022	31.03.2023
	Audited	Provisional
Total Operating Income	196.56	195.00
EBIDTA	20.62	20.81
PAT	5.10	6.18
Total Debt	82.76	64.72
Tangible Net Worth	56.27	62.46
EBDITA Margin (%)	10.49	10.67
PAT Margin (%)	2.58	3.15



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Overall Gearing Ratio (x) on Net Adjusted TNW	1.47	1.04
Interest Coverage Ratio (X)	2.20	1.81

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: ICRA continues to maintain GCPPL under Issuer Not Cooperating category; vide Press Release dated March 02, 2023, due to non-submission of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Current Rating	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22		Date(s) & Rating(s) assigned in 2020-21
					July 08, 2022	April 19, 2022	January 11, 2022	March 23, 2021	
1.	Cash Credit	Long Term	6.00	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ under Credit Watch with Developing Implications	IVR BBB-/ under Credit Watch with Developing Implications	IVR BBB-/ under Credit Watch with Developing Implications	IVR BBB-/ under Credit Watch with Developing Implications
2.	OCC/ODBD	Long Term	10.00	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-	-	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Current Rating	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	
					July 08, 2022	April 19, 2022	January 11, 2022	March 23, 2021	March, 10, 2021
3.	Bank Guarantee*#	Short Term	84.00	IVR A3	IVR A3	IVR A3 under Credit Watch with Developing Implications	IVR A3 under Credit Watch with Developing Implications	IVR A3 under Credit Watch with Developing Implications	IVR A3 under Credit Watch with Developing Implications
4.	Letter of Credit	Short Term	10.00	IVR A3	IVR A3	-	-		-

*including proposed Bank guarantee of Rs. 1.00 crore

#Letter of Credit of Rs.4.00 Crs is a sublimit of Bank Guarantee

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	6.00	IVR BBB-/ Stable
ODBD/OCC	-	-	-	10.00	IVR BBB-/ Stable
Bank Guarantee I	-	-	-	29.00*	IVR A3
Bank Guarantee II	-	-	-	54.00	IVR A3
Letter of Credit	-	-	-	10.00	IVR A3
Proposed Bank Guarantee	-	-	-	1.00	IVR A3

**Letter of Credit of Rs.4.00 Crs is a sublimit of Bank Guarantee.*

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.



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Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-GCPL-sep23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.

