Globe Civil Projects Private Limited

July 8, 2022

Ratings

Instrument / Facility	**Amount (Rs. crore)**	**Ratings**	**Rating Action**	**Complexity Indicator**
Long Term Bank Facilities	14.00 (enhanced from 12.00 crore)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Rating reaffirmed with Stable outlook and removed from Credit Watch with Developing Implications	Simple
Short Term Bank Facilities	80.00 (reduced from 83.00 crore)	IVR A3 (IVR A three)	Rating reaffirmed and removed from Credit Watch with Developing Implications	Simple
Total	**94.00 (INR Ninety four crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Globe Civil Projects Private Limited (GCPPL) continues to derive comfort long track record & established presence in the construction sector, highly experienced managerial & technical team, its stable financial performance, comfortable capital structure with moderate debt protection metrics, strong order book 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 ~86% 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 stretched payable cycle and inventory.

The ratings have been removed from under credit watch with developing implications owing to improvement in the operating scenario, consistent growth in topline and a healthy order book position.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis

- Sustenance of the capital structure with improvement in the debt protection metrics.
- Improvement in the liquidity position.

Downward Factors

- Dip in operating income and/or profitability impacting the debt protection metrics
- Withdrawal of subordinated unsecured loans and/or moderation in the capital structure with deterioration in overall gearing.
- Stretch in the 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**

Over its around four-decade long existence, the company has 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 a 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.

- **Stable financial performance**

GCPPL has maintained a stable financial performance over the past years. As the projects undertaken by a construction company span over different accounting periods, it may be important to view the financials of the company over a period of three years. GCPPL's total operating income has grown consistently over the last three years. TOI improved by 4.9% y-o-y in FY22 (provisional) to Rs.190 crore driven by higher orders executed during the year. GCPPL posted an EBIDTA margin of 11.46% in FY22 (provisional) maintaining its past trend. Further PAT margin increased to 3.31% in FY22 (provisional) from 2.97% in FY21, due to lower interest charge coupled with an increase in topline. Overall, the financial performance largely remained stable, and range bound.

- **Comfortable capital structure with moderate debt protection metrics**

The company's adjusted net worth as on March 31, 2022 (provisional) consist of subordinated unsecured loans aggregating to Rs. 7.00 crore from the promoters which is considered as quasi equity. Considering the same the adjusted tangible net worth of the group stood at Rs.61.77 crore as on March 31, 2022 (provisional) compared with Rs. 54.60 crore as on March 31, 2021. Also, the overall gearing ratio has improved to 0.73x as on March 31,2022 (provisional) from 1.18 x as on March 31, 2021 driven by accretion of profit to net worth and scheduled repayment of term debts. Further, total indebtedness of the group also remained moderate at 2.29x as on March 31, 2022 (provisional) compared with 2.87x as on March 31, 2021. The debt protection metrics of the group also moderated as indicated by interest coverage ratio at 1.81x as on March 31, 2022 (provisional) (1.63x as on March 31, 2021) and Total debt/GCA at 4.88 years as on March 31, 2022 (provisional) (7.71 years as on March 31, 2021).

- **Strong order book reflecting satisfactory near to medium term revenue visibility**

The company has a strong order book position (Rs. ~360 crore as on February 14, 2022, which is about 2 times of its FY21 revenue (i.e. Rs.180.57 crore). The orders are expected to be completed within next two years, indicating a satisfactory medium term revenue visibility.

- **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, Ministry of Health and Family Welfare. Its focus 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.

Key Rating Weaknesses

- **Project concentration high as top three projects constitute ~85% of the outstanding order book**

The top three projects namely AIIMS Raipur, IIT Gandhinagar and CPWD Benguluru constitute of ~Rs.253 crore (~85%) out of the total outstanding order book worth ~Rs. 296 crore signifying skewed nature of its order book. The timely and efficient execution of these projects remains a key monitorable.

- **High working capital limit utilisation and stretched payable cycle and inventory**

Relatively longer credit periods availed from suppliers (70 days in FY22 (provisional) vis-à-vis 84 days in FY21(A)) helped GCPPL to fund its working capital requirements. The collection period remained high at 53 days in FY22 (provisional) vis-à-vis 59 days in FY21. The company keeps inventory (work in progress) of around 150 to 160 days, resulting in high working capital requirement. The average working capital limit utilisation stood at around 89% for last 12 month ended May, 2022, reflecting its moderate liquidity.

- **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.

- **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.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios HYPERLINK "https://www.infomerics.com/rating-criteria-detail/financial-ratios--implication"& HYPERLINK "https://www.infomerics.com/rating-criteria-detail/financial-ratios--implication" Interpretation (Non- Financial Sector)

Liquidity – Adequate

The liquidity position of the company 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 FY23-25. Further, with a gearing of 0.73 times as of March 31, 2022, the company has sufficient gearing headroom. Moreover, the company has no major near term capex plan, which imparts comfort. Besides, its average bank limit utilisation remained moderate at ~89% in the last 12 months ended May 2022, indicating a moderate liquidity buffer. The company also has adequate unutilised non-fund based limits to support its operations in the near term.

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):

(Rs. crore)

For the year ended* / As on	**31-March-21 (Audited)**	**31-March-22 (Provisional)**
Total Operating Income	180.57	190.00
EBITDA	21.02	21.77
PAT	5.42	6.34
Total Debt	64.21	45.38
Tangible Net-worth(including quasi equity)	54.60	61.77
EBITDA Margin (%)	11.64	11.46
PAT Margin (%)	2.97	3.31
Overall Gearing Ratio (x)	1.18	0.73
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 January 28, 2022, due to non-submission of information.

Any other information:

Rating History for last three years:

Sr. No.	**Name of Instrument/Facilities**	**Current Ratings (Year 2022-23)**			**Rating History for the past 3 years**			
		Type	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2022-23** (April 19,	**Date(s) & Rating(s) assigned in 2021-22** (January	**Date(s) & Rating(s) assigned in 2020-21**	
							(March 23, 2021	(March 10, 2021)

					2022)	11, 2022)		
1.	Cash Credit	Long Term	4.00	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.	ODBD	Long Term	10.00	IVR BBB-/ Stable	-	-	-	-
3.	Bank Guarantee	Short Term	70.00	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	-	-	-	-

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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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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	-	-	-	4.00	IVR BBB-/ Stable
ODBD	-	-	-	10.00	IVR BBB-/ Stable
Bank Guarantee I	-	-	-	16.00	IVR A3
Bank Guarantee II	-	-	-	54.00	IVR A3
Letter of Credit	-	-	-	10.00*	IVR A3

**fully interchangeable with Bank Guarantee*

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

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-Globe-Civil-july22.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