Press Release

Globe Civil Projects Limited
(Erstwhile Globe Civil Projects Private Limited)

November 14, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	26.00 (enhanced from Rs 16.00 crore) (including proposed limit of Rs 10.00 crore)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Upgraded	Simple
Short Term Bank Facilities	84.00 (reduced from Rs 94.00 crore) (including proposed limit of Rs 11.00 crore)	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Upgraded	Simple
Total	**110.00 (One hundred and ten crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has upgraded the ratings assigned to the bank facilities of Globe Civil Projects Limited (GCPL) on account of improvement in financial risk profile of the company driven by improvement in both revenue and profitability in FY24 (Refers to the period April 01, 2023 to March 31,2024). Furthermore, the ratings also reflects the company's long track record and established presence in the civil construction sector, its highly experienced managerial and technical team, a reputed clientele with low counterparty credit risk, moderate capital structure with improvement in debt coverage indicators and healthy order book that provides satisfactory near- to medium-term revenue visibility. However, the rating strengths are partially offset by highly fragmented & competitive nature of the construction sector with significant price war, working capital intensive nature of operations and susceptibility of profitability to volatile input prices.

The long-term rating outlook of the company is expected to remain stable driven by sustained improvement in business and financial risk profile, coupled with experienced promoters and favourable demand outlook in the overall infrastructure industry.

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.

Downward Factors

- Dip in operating income and/or profitability impacting the debt protection metrics.
- Deterioration of the capital structure and debt protection metrics

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Improvement in revenue and profitability in FY24**

The company's revenue witnessed improvement by ~60% and stood at Rs.294.90 crore in FY24, in comparison to Rs 184.93 crore of revenue being booked in FY23 (Refer to the period April 01,2022 to March 31,2023). The growth was driven by healthy order book position and smoother execution of existing projects. Led by an increase in topline, the profit of the company also showed an improvement with absolute EBITDA and PAT increased y-o-y by ~118% and ~185%, respectively to Rs. 43.92 crore and Rs. 15.15 crore, respectively, in FY24. At margins level, EBITDA margins witnessed improvement by 402 basis points and stood at 14.89% in FY24 (PY:10.87%). The improvement in margins was driven by increase in scale leading to absorption of fixed costs and also company bagging more high margin contracts. In tandem, with improvement in EBITDA margins, PAT margins also improved by 226 basis points and stood at 5.10% (PY:2.84%).

- **Long track record and established presence in civil 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, promoter of the company, looks after its overall operations of the company. He possesses 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 and TCIL Its focus remains primarily on the central government departments because of low credit risk. GCPL also caters to Delhi Public School, a reputed educational institute that runs numerous schools across India.

- **Moderate Capital Structure and improvement in debt coverage indicators**

The company's capital structure remained moderate, with total debt at Rs. 146.58 crore as of March 31, 2024, increase from Rs. 112.56 crore on March 31, 2023. This increase resulted from enhanced working capital limits via an invoicing facility to support expanding operations. The tangible net worth (including unsecured loans of Rs 4.53 crore, treated as quasi equity) improved to Rs. 80.85 crore in FY24, up from Rs. 66.01 crore in FY23, driven by profit-linked accretions to reserves. Due to increase in debt levels, the adjusted overall gearing ratio slightly moderated to 1.81x as of March 31, 2024, from 1.71x as of March 31, 2023. Total indebtedness, indicated by TOL/TNW, remained nearly stable at 2.73x in FY24 compared to 2.76x in FY23. Coverage indicators improved during FY24, with the interest coverage ratio rising to 1.99x from 1.68x in FY23, reflecting enhanced capacity to meet interest obligations. Additionally, the DSCR increased to 1.11x from 0.88x, driven by higher cash accruals relative to debt repayment obligations. Furthermore, Total Debt/GCA improved significantly to 7.93x in FY24 from 13.18x in FY23.

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

As on September 30, 2024, the company has an outstanding order of Rs 1053.96 crore which is 3.57 times of the revenue booked in FY24, and therefore ensures good revenue visibility. Out of 1053.96 crore of order book, GCPL expects to book revenue of ~Rs 900 crores by FY25 and FY26. Remaining ~Rs 153.96 crore is expected to be realised in FY27.

Key Rating Weaknesses

- **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 intensive 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. The company's working capital cycle as on March 31, 2024, although improved but stood elongated at 132 days in FY24 compared to 164 days in FY23. The average utilisation of past 12 months ending September-24 remains high at ~90%, which indicates limited liquidity buffer.

- **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 Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity –Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals to meet the term debt repayment in the period FY25-FY27. However, the average fund-based utilisation for the past twelve months ended October,2024 remained high at ~90% indicating a limited cushion. As on March 31, 2024 current ratio stood comfortable at 1.30x.

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 and subsequently into public limited company in 2024. It is an ISO 9001:2008 certified company and is involved in the business of civil construction. It is a 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*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	184.93	294.90
EBITDA	20.11	43.92
PAT	5.32	15.15

For the year ended/ As on*	31-03-2023	31-03-2024
Total Debt	112.56	146.58
Tangible Net Worth (Adjusted)	66.01	80.85
EBITDA Margin (%)	10.87	14.89
PAT Margin (%)	2.84	5.10
Overall Gearing Ratio (Adjusted) (x)	1.71	1.81
Interest Coverage (x)	1.68	1.99

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: ICRA continues to maintain GCPL under Issuer Not Cooperating category; vide Press Release dated April 04, 2024, due to non-submission of information.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22
					September 18, 2023	July 08, 2022	April 19, 2022	January 11, 2022
1	Cash Credit	Long Term	16.00	IVR BBB/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ under Rating Watch with Developing Implications	IVR BBB-/ under Rating Watch with Developing Implications
2	OCC/ODBD	Long Term	10.00	IVR BBB/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
3	Bank Guarantee	Short Term	74.00	IVR A3+	IVR A3	IVR A3	IVR A3 under Rating Watch with Developing Implications	IVR A3 under Rating Watch with Developing Implications
4	Letter of Credit	Short Term	10.00	IVR A3+	IVR A3	IVR A3	-	-

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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 credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	6.00	IVR BBB/Stable
OCC/ODBD	-	-	-	-	10.00	IVR BBB/Stable
Proposed Cash Credit	-	-	-	-	10.00	IVR BBB/Stable
Bank Guarantee 1	-	-	-	-	34.00	IVR A3+
Bank Guarantee 2	-	-	-	-	29.00*	IVR A3+
Proposed Bank Guarantee	-	-	-	-	11.00	IVR A3+
Letter of Credit	-	-	-	-	10.00	IVR A3+

* Letter of credit of Rs 4.00 crore is a sublimit of Bank Guarantee.

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-GlobeCivil-nov24.pdf

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

Name of the Security		Detailed Explanation
	Financial Covenant	
	i.	
	ii.	
	Non-financial Covenant	
	i.	
	ii.	

Annexure 4: List of companies considered for consolidated/Combined analysis:

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.