

**Globe Ground India Pvt Ltd**

February 13, 2018

**Ratings**

Facilities	Amount (Rs. crores)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	9.24 (enhanced from 8.17)	<b>CARE BBB+; Stable (Triple B Plus; Outlook: Stable)</b>	<b>Reaffirmed</b>
<b>Total</b>	<b>9.24 (Rs. Nine crore and twenty four lacks only)</b>		

Details of facilities in Annexure-1

**Detailed Rationale & Key Rating Drivers**

The rating of Globe Ground India Pvt Ltd's (GGI) continues to derive strength from its experienced promoters, established track record of operations and stable financial profile marked by increasing scale of operations & comfortable solvency position. However, these rating strengths are partially offset by the relatively small scale of operations, increase in operating cycle along with increase in collection period (referrers to the period April 01 to March 31) and business risk associated with renewability of the contracts with airlines with respect to tenure, ground handling charges, etc.

Going forward, the ability of the company to sustain growth in operations and ability to maintain profit margins and working capital efficiency would be the key rating sensitivities. Also, any higher-than-envisaged exposure towards subsidiary (Bird Catering and Lounges Pvt Ltd) shall also have a bearing on the credit profile of the company.

**Detailed description of the key rating drivers**
**Key Rating Weaknesses**
***Experience of the promoters***

GGIPL is promoted by the Bird group, with the companies in various verticals viz. travel technology, airline representation, aviation services and ground handling, hospitality, automotive etc. Bird Worldwide Flight Services (I) Pvt Ltd (BWFS; rated 'CARE A; Stable'), a Bird group company is also engaged in providing ground handling services at the Delhi and Cochin International airports. The Bird group has received various awards and accolades from customers and airport operator for its ground handling services over time.

***Established track record of operations of GGIPL with addition of new clients***

GGIPL has operated as a provider of ground handling services (operational since 1999) at various domestic airports for over a decade, thus having the experience and expertise in the business. GGIPL is the India's first private third party Ground Handling Company, providing ground handling services at Bangalore International Airport. Further, the company has ventured into Ahmedabad, Gaya and Goa International Airport and the range of services include Airline representation, Passenger services, Ramp handling and cargo transportation, Flight operations.

***Comfortable financial risk profile marked by strong liquidity and significant improvement in income***

The total operating income of the company has increased significantly by 18.36% to Rs.91.65 crore in FY17 as compared

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

to Rs.74.82 crore in FY16. The company has archived total operating income of Rs.91.65 crore which constitutes income from ground handling of international Airlines 64.51% in FY17 (PY: 52.53%), ground handling of domestic airline constitutes 31.16% in FY17 (PY:27.47%), income from lease rental 2.46% (PY: 13.63%) and interest income 1.51% (PY:1.34%).

Further, the Company has achieved total income of Rs.87.68 crore from ground handling which constitutes Rs.66.63 crore from Bangalore Airport (76.00% of total income in FY17), Rs 16.11 crore from Ahmedabad Airport (18.37% of total income in FY17), Goa Airport Rs.4.21 crore (4.80% of total income in FY17) and balance is coming from GAYA, Lucknow & Varanasi Airport.

Further, the PBILDT margins declined to 22.84% in FY17 as compared to 30.76% in FY16 mainly on account of increase in royalty charges. The margin has also declined in FY17 due to decline in lease rental income from its group company i.e. BWFSIPL.

The capital structure of the company remained comfortable in FY17 marked by overall gearing of 0.08 times as on March 31, 2017 (PY: 0.08 times). Other debt coverage indicators like total debt to GCA and Interest coverage ratio has also remained comfortable to 0.38x (PY: 0.36x) & 48.17x (PY: 41.14x) as on March 31, 2017. GGIPL has also extended unconditional and irrevocable corporate guarantee to IndusInd Bank towards term loan of its subsidiary company Bird Catering & Lounges Pvt. Ltd (BCLPL, 76% shares are held by GGIPL).

### **Key Rating Weakness**

#### **Regulatory risks, uncertainty reduces in light of the new aviation policy 2016**

The uncertainty on the policy front has reduced with the cabinet approving the New Aviation Policy 2016. As per the GH guidelines under the new policy, competition is not expected to increase for the existing GHAs as it continues with the guidelines of around 3 GHA per airport and while self-handling for domestic airlines has been continued. Also it doesn't allow for ground handling by airlines for other airlines.

### **Prospects**

GGIPL's prospects would depend upon its ability to increase its clientele at the existing airports (i.e. Delhi and Cochin) as well as expand operations at new airports. The impending privatization of airports along with the entry of new airlines is also likely to create avenues for growth for the ground handlers including GGIPL. Further, the regulatory environment pertaining to the ground-handling business as mentioned earlier may also impact the prospects for the company going forward.

### **Analytical approach: Standalone**

#### **Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for service companies](#)

[CARE's methodology for financial ratios \(Non-Financial Sector\)](#)

[CARE's methodology for Factoring Linkages in Ratings](#)

**About the Company**

- GlobeGround India Pvt. Ltd (GGIPL) was incorporated in 1999 as a 51:49 joint venture between Bhatia family (promoters of BIRD group) and GlobeGround Deutschland, Germany (GGD), a subsidiary company of Lufthansa German Airlines. The company catered to ground handling requirements of Lufthansa German Airlines at Delhi, Mumbai, Kolkata, Hyderabad and Chennai airports.
- During CY09, GGD sold entire 51% stake in GGIPL to Bird Group thereby making GGIPL a 100% Bird Group entity. Post exit of Lufthansa as shareholder, GGIPL operates as a third party ground handling service provider at the Bangalore airport since 2008 for initially seven years and thereafter got extensions from BIAL for further periods .
- The company has also grown the turnover due to growth in operation at Ahmedabad, Goa and Gaya Airport from H2FY17.

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

NA

**Any other information:**

NA

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

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	March, 2018	1.24	CARE BBB+; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	3.00	CARE BBB+; Stable

**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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (21-Apr-14)
2.	Fund-based - LT-Cash Credit	LT	5.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (20-Mar-17)	1)CARE BBB+ (19-Feb-16)	1)CARE BBB+ (21-Jan-15) 2)CARE BBB+ (21-Apr-14)
3.	Fund-based - LT-Term Loan	LT	1.24	CARE BBB+; Stable	-	1)CARE BBB+; Stable (20-Mar-17)	1)CARE BBB+ (19-Feb-16)	1)CARE BBB+ (21-Jan-15)
4.	Non-fund-based - LT-Bank Guarantees	LT	3.00	CARE BBB+; Stable	-	-	-	-

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CIN - L67190MH1993PLC0716