

Globe Ground India Private Limited

January 05, 2023

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	66.74 (Reduced from 73.49)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Total Bank Facilities	66.74 (₹ Sixty-Six Crore and Seventy-Four Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of rating assigned to the bank facilities of Globe Ground India Private Limited (GGIPL) factors in healthy recovery in air traffic levels on month-on-month and year-on-year basis mainly due to resumption of international commercial passenger flights in March 2022. The same has resulted in improvement in operational and financial risk profile of the company during current fiscal as its revenue depends majorly on international flight operations. The rating also reflects the fact that notwithstanding adverse situation, the company has been able to maintain a stable financial risk profile which was reflected by cost control measures and focusing on conserving existing liquidity position. The rating continues to derive strength from experienced promoters in airport ground handling (GH) operations through group's presence at major airports in India, oligopolistic nature of industry, comfortable financial risk profile and long term validity of GH concession agreement until March 2029 providing long term revenue visibility. These rating strengths, however, continue to remain constrained by exposure of GGIPL towards group entities, regulatory risk and business risk emanating from the renewability of the contracts and revenue being susceptible to aircraft traffic coupled with geographical concentration risk.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Faster than envisaged improvement in the total operating income reaching to pre-COVID levels with sustained profitability margins and debt coverage indicators

Negative factors – Factors that could lead to negative rating action/downgrade:

- Depletion of liquidity buffer of the company on account of higher than envisaged investment, loans & advances into group companies resulting in stretched liquidity position of the company
- Any adverse announcement or regulatory directive with regards to the ground handling policy by the government that may impact the financial profile of GGIPL considerably
- Any adverse impact on the company's cash flows due to uncertainty caused by COVID-19 pandemic
- Higher than envisaged exposure in subsidiary Bird Catering & Lounges Private Ltd (BCLPL) or any other group company
- Higher than expected debt funded capital expenditure resulting in leveraged capital structure and stretched liquidity position of the company

Detailed description of the key rating drivers

Key rating strengths

Experienced 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, auto etc. Bird Worldwide Flight Services (I) Pvt Ltd, 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. Mrs. Radha Bhatia, Chairperson of the group has experience of around 48 years in various industries like travel and tourism, aviation etc. The promoters have shown continued support towards the group companies over the years. The management team consists of highly experienced personnel who have been associated with the airline industry and have worked at various airports for about 20-30 years.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Group presence at major airports in India

Bird group provides services comprising of ground handling, customer management, logistics, ticketing, cargo management, baggage handling, meet and greet facilities with presence at Six major airports in India - Delhi, Cochin, Bangalore, Ahmedabad, Hyderabad, and Mumbai. Bird group has also gained substantial ground handling experience through this entity Globe Ground India Private Limited (GGIPL), providing ground handling services including Bangalore and Hyderabad Airport to provide various handling services to several International & Domestic Airlines. Bird Worldwide Flight Services India Private Limited (BWFSIPL), Bird Worldwide Flight Services Mumbai Private Limited (BWFSMPL), Globe Ground India Private Limited (GGIPL), Bird Catering & Lounges (P) Ltd (BCLPL), Bird Air Services and Bird Travels, are Aviation Services Verticals of Bird Group of Companies. CARE takes cognizance of Bird group being awarded the concession for providing ground handling services at new airports through competitive bidding process which includes Ahmedabad, Mohali, Konkan, Trichy, Imphal, Agartala and Coimbatore. Going forward, any higher-than-expected debt funded capital expenditure for the newly awarded airports shall remain key monitorable.

Comfortable Financial Risk Profile

GGIPL has a comfortable financial risk profile characterized by low overall gearing and satisfactory debt coverage indicators. GGIPL's capital structure remained healthy with a net worth of Rs.140.99 crore as on March 31, 2022 (PY: Rs.141.71 crore). Total Debt including working capital utilization stood at Rs.40.05 crore as on March 31, 2022 (PY: Rs.33.42 crore). The overall gearing stood comfortable at 0.28x as on March 31, 2022 (PY: 0.24x). However, GGIPL has provided support to its group entities in the form of corporate guarantees and loans and advances, considering the same the adjusted overall gearing stood at 0.77x as on March 31, 2022 (PY: 0.58x). The company has satisfactory debt coverage indicators marked by interest coverage of 3.79x in FY22 and average DSCR above 1.50x for the next three years.

Established Track Record of GGIPL

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 has been providing ground handling services at Bangalore International Airport. In FY17, the company also started operation at Ahmedabad airport, though the same has been transferred to another group entity. Further the company was awarded with a new contract for ground handling services at GMR Hyderabad International Airport by GMR Hyderabad International Airport Ltd (GHAIL) in December 2018 (FY19) for a period of 10 years. The Company also won new contracts of ground handling at Mohali, Konkan, Trichy, Imphal, Agartala and Coimbatore.

Key rating weaknesses**Exposure towards group companies**

The company has significant exposure towards group companies with total fund-based exposure in the form of equity and preference shares of Rs.47.21 crore as on March 31, 2022, which increased from Rs.40.71 crore as on March 31, 2021, which constituted around 33% of the total net worth of the company. Further, the company has also provided corporate guarantee of Rs.22.20 crore (PY: Rs 22.20 crore) to IndusInd Bank for providing bank facilities to the subsidiary BCLPL. The company has infused an incremental Rs.6.50 crore during FY22 (PY: Rs.7.50 crore) in group companies in the form of investment in equity shares & preference shares. GGIPL has invested Rs.27.36 crore in wholly owned subsidiary company i.e., Bird Catering and Lounges Private Limited. GGIPL has also invested into other wholly owned subsidiaries in the form of equity namely Bird Airport (Konkan) Private Limited, Bird Airport Services (Mohali) Private Limited, Bird Airport Services (Trichy) Private Limited, Bird Airport Services (Imphal) Private Limited, Bird Airport Services (Coimbatore) Private Limited and Bird Airport Services (Agartala) Private Limited amounting to Rs.7.05 crore. Company has invested into JVs in the form of equity and preference shares amounting to Rs.12.80 crore into Bird Worldwide Flight Services (Mumbai) Private Limited, Bird Execujet Airport Services Private Limited. The adjusted overall gearing after considering the exposure towards group companies and investment made in group companies stands at 0.77x as on March 31, 2022 (PY: 0.58x). Going forward, any higher than envisaged exposure towards group companies shall remain a key rating monitorable.

Regulatory risks persist; however, uncertainty reduces in light of the new aviation policy 2016

As per the ground Handling (GH) guidelines under the new policy of 2016, 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. However, being part of the regulated industry, the company's revenues are susceptible to changes in government policies.

Liquidity: Adequate

The liquidity profile of GGIPL is adequate which is characterized by expected gross cash accruals of ~Rs.14.00 crore as against repayment obligations of Rs.6.65 crore for FY23. The average fund based facilities utilization stood at ~74% for the last 12 months ended November 2022. Company had free cash & liquid investment of Rs.12.98 crore as on date. The current ratio of the company stood satisfactory at 1.55x in FY22 (PY: 2.00x). The cash accruals are expected to improve from FY23 onwards on account of healthy recovery in overall air traffic levels.

Analytical approach: Standalone, factoring support provided to group companies in terms of investments, loans & advances, and corporate guarantee.

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

About the company

Globe Ground India Private Ltd (GGIPL) was incorporated in 1999 as a 51:49 joint venture between Bhatia family (promoters of Bird group) and Globe Ground 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 2007 with no royalty charges till FY18 (however presently 22% of gross turnover). Further, for the Bangalore airport GGIPL has already got extension till July 2028. The company also started operation at Ahmedabad and Hyderabad airports in FY17 & FY19 respectively though Ahmedabad airport has been transferred to SPV of Bird Worldwide Flight Services India Private Limited i.e., GSEC Bird in the end of March 2022. Presently the company is operating at Bangalore and Hyderabad airports.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	74.27	78.78	55.42
PBILDT	6.96	5.64	8.11
PAT	4.58	-0.76	3.65
Overall gearing (times)	0.24	0.28	0.26
Interest coverage (times)	8.14	3.79	6.14

A: Audited, UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.50	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	30-04-2027	39.24	CARE BBB; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	15.00	CARE BBB; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	12.50	CARE BBB; Stable	-	1)CARE BBB; Stable (18-Feb-22)	1)CARE BBB; Negative (31-Mar-21) 2)CARE BBB (CW with Negative Implications) (05-Jun-20)	1)CARE BBB+ (CW with Negative Implications) (31-Mar-20)
2	Non-fund-based - LT-Bank Guarantee	LT	15.00	CARE BBB; Stable	-	1)CARE BBB; Stable (18-Feb-22)	1)CARE BBB; Negative (31-Mar-21) 2)CARE BBB (CW with Negative Implications) (05-Jun-20)	1)CARE BBB+ (CW with Negative Implications) (31-Mar-20)
3	Fund-based - LT-Term Loan	LT	39.24	CARE BBB; Stable	-	1)CARE BBB; Stable (18-Feb-22)	1)CARE BBB; Negative (31-Mar-21)	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**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 - LT-Bank Guarantee	Simple

Annexure-5: Bank lender details for this companyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings 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 for any clarifications.

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About us:

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