

Global Enetworks Limited

June 07, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	0.95	CARE B+; Stable (Single B Plus; Outlook: Stable)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable)
Short Term Bank Facilities	5.05	CARE A4 (A Four)	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Total Bank Facilities	6.00 (Rs. Six Crore Only)		

In the absence of minimum information required for the purpose of rating, CARE was unable to express an opinion on the ratings of Global Enetworks Limited and in line with the extant SEBI guidelines, CARE downgraded the rating(s) of bank facilities of the firm to 'CARE B; Stable/ CARE A4; ISSUER NOT COOPERATING'. However, the company has now submitted the requisite information to CARE. CARE has carried out a full review of the ratings and the rating(s) stand at 'CARE B+; Stable/ CARE A4' Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating of Global Networks Limited continues to remain constrained by small and fluctuating scale of operations, leveraged capital structure and weak coverage indicators, elongated operating cycle. The rating further remains constrained on account of inherent risk associated with contractual business and stiff competition due to fragmented nature of the industry. The rating, however, continues to derive strength from experienced promoters, moderate profitability margins, and Repeated orders from reputed clientele.

Key Rating Sensitivity

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

- Improvement in scale of operation marked by total operating income above Rs.25.00 crores on sustainable basis.
- Improvement in capital structure as marked by overall gearing ratio of below 1.15x.

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

- Continued elongation in the operating cycle beyond 160 days.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small and fluctuating scale of operations

Despite being operational for nearly two decades, the scale of operations has remained low marked by a total operating income and gross cash accruals of Rs. 5.51 crore and Rs. 0.29 crore respectively during FY22 (based on provisional results from April 01, 2021 to March 31, 2022) as against Rs. 10.02 crore and 0.45 crore respectively in FY21. The decline in scale of operations is on account of delay in execution of work orders due to government restrictions. Further, the company's net worth base was relatively small at Rs. 5.10 crore as on March 31, 2022. Nevertheless, small scale limits the company's financial flexibility in times of stress and deprives it of scale benefits.

Elongated Operating Cycle:

The operations of the company stood elongated as marked by operating cycle of 145 days for FY21 as against 152 days for FY20. This is due to normal procedural delay in relation being customers are mainly government departments/ public sector undertakings. The increase in realization days is on account of delay in funds release by the government departments as the company primarily deals with Ministry of Defense and telecommunication departments. Thus, the average collection period stood at 325 days for FY21 as against 237 days in FY20. The inventory is in the form of raw materials and work in progress at different sites on account of procedural delays involved in the certifications/validation of the invoices for the contracts executed resulting in an average inventory holding period of 30 days for FY21. Further, the company receives an average credit period of around 209 days as they have an arrangement with the suppliers to make payment to them once they receive payments from its clients. The average utilization of fund-based working capital limits remained almost fully utilized for past 12 months ending March 31, 2022.

Leveraged Capital Structure and Weak Coverage Indicators:

The capital structure of the company stood leveraged as marked by overall gearing ratio which stood at 1.72x in FY21 as against 3.11x in FY20 owing to high dependence on external borrowings to meet working capital requirements. Furthermore, the debt coverage indicators as characterized by interest coverage ratio and total debt to gross cash accruals (TDGCA) stood

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

weak at 2.17x and 18.73x respectively in FY21 mainly on account of high debt levels consequently resulting to higher interest cost.

Inherent risk associated with contractual business and stiff competition due to fragmented nature of industry

GEL operates in the industry where the income of the entity is primarily dependent on the contracts based on the renewal of old contracts as well as awarding of fresh contracts. Majority of the contracts would be re-awarded through bidding process. Thus, the turnover of the company is highly dependent upon the renewal of the existing contract as well as securing new contracts. The network installation industry is highly fragmented in nature with presence of large number of unorganized players and a few large, organized players coupled with the tender driven nature of contracts poses huge competition and puts pressure on the profitability margins of the players. Further, as the company participates in tenders invited by large contractor, high competition and lower bargaining power restricts its profitability margins.

Key Rating Strengths

Experienced promoters

The overall affairs of GEL are managed by Mr. Sarpreet Singh Chadha (Managing Director) who is qualified Bachelor of Engineering (B.E.) in electronics and has around two decades of experience in the network installation industry. He is supported by, Mr. Kishan Kant who is an LLB by qualification and responsible for accounts and finance function of the company. He has around three decades of experience in accounts and finance function. Further, the promoters are supported by a team of qualified managerial personnel having long standing experience in the industry.

Moderate Profitability Margins

The profitability margins of the company stood moderate though improved as marked by PBILDT margin of 18.76% in FY22 (based on provisional data from April 01, 2021 to March 31, 2022) as against 11.37% in FY21 respectively. The improvement in the PBILDT margin is on account of decline in administrative and other overhead expenses.

Repeated orders from reputed clientele

The company mainly deals with government entities and renowned private players. Being present in the industry for a long period of time, it has established relationship with its customers. The customers of the company include Indian Army, Indian Navy, Indian Air Force, Bharat Electronics Limited, etc. The company has received repeated orders from the clients. Association with reputed clients coupled with repeated long orders enhances the image of the company in the market regarding service quality.

Liquidity analysis: Stretched

The liquidity position of the company remains stretched characterized by tightly matched accruals vis-à-vis repayment obligations. The company has generated Gross cash accruals of Rs. 0.29 crore in FY22 and is expected to generate envisage GCA of Rs. 0.45 crore in FY23 against repayment obligations of Rs. 1.10 crore in same year. The promoters will support the liquidity of the company through infusion of funds. Further, the working capital limits are almost 100% utilized for the past 12 month's period ending March, 2022. The company also has low cash & bank balances which stood at Rs.0.27 crore as on March 31, 2021.

Analytical Approach: Standalone

Applicable criteria:

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

About the Company

New Delhi based Global Enetworks Limited (GEL) was incorporated as a public limited company in December 1998 by the promoters Mr. Sarpreet Singh Chadha, Mr. Kishan Kant and Mr. Harpreet Kaur Chadha. GEL is mainly engaged in system integration in information technology (IT), installation of networks & electronic warfare and information warfare (EW/IW) systems for defense academies and other institutions. The company supplies and installs servers, modules, routers, OFC, etc. The company also undertake turnkey project for laying of HDPE pipe and OFC cable, setting-up of WAN/LAN etc. It mainly works for government entities. Some of its major clients are ministry of defense, department of telecommunications, Indian Air force, Indian Navy, Electrical Corporation Limited, Bharat electronic limited, Tech Mahindra etc.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (UA)*
Total operating income	14.59	10.02	5.51
PBILDT	0.79	1.14	1.22
PAT	0.21	0.34	0.19
Overall gearing (times)	3.11	1.72	NA
Interest coverage (times)	2.34	2.17	NA

A: Audited; NA: Not Available; UA: Unaudited

*refers to the period from April 1, 2021 to March 31, 2022.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Available

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

Covenants of rated instrument / facility: 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	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	0.95	CARE B+; Stable
Non-fund-based - ST-Letter of credit		-	-	-	1.70	CARE A4
Non-fund-based - ST-Bank Guarantee		-	-	-	3.35	CARE A4

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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Bank Overdraft	LT	0.95	CARE B+; Stable	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (07-Mar-22)	1)CARE B; Stable (30-Mar-21)	1)CARE B; Stable (09-Mar-20) 2)CARE B; Stable (04-Jul-19)
2	Non-fund-based - ST-Letter of credit	ST	1.70	CARE A4	-	1)CARE A4; ISSUER NOT COOPERATING* (07-Mar-22)	1)CARE A4 (30-Mar-21)	1)CARE A4 (09-Mar-20) 2)CARE A4 (04-Jul-19)
3	Non-fund-based - ST-Bank Guarantee	ST	3.35	CARE A4	-	1)CARE A4; ISSUER NOT COOPERATING* (07-Mar-22)	1)CARE A4 (30-Mar-21)	1)CARE A4 (09-Mar-20) 2)CARE A4 (04-Jul-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / 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-Bank Overdraft	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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 CARE Ratings Limited:

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