

Press Release

Grip Strapping Technologies Private Limited

April 06, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.43	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	17.00	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	40.80	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	6.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	74.23	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and reaffirmed the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 57.80 Cr and assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and assigned the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 16.43 Cr bank facilities of Grip Strapping Technologies Private Limited (GSTPL). The outlook is 'Stable'.

The ratings reaffirmation continues to take into account GSTPL's established position in the industrial packing machinery manufacturing industry, supported by its established operational track record, its product mix, and its reputed clientele. The ratings are, however, constrained by the high working capital intensity of the business and vulnerability to volatility in raw material prices.

About the Company

Incorporated in 2005, GSTPL is engaged in the manufacturing of High Tensile Steel Strappings, Seals, Packaging Tools and accessories. Its manufacturing facility is in Hyderabad, Telangana, with an installed capacity of 24,000 tonnes per annum (TPA) of steel strappings. The day to day operations are managed by the promoters' Mr. A. Narasimhan, Mr Hemant Lajpal and Mr. M. Mani. CYKLOP ASIA PTE. LTD is the holding company; holds 51 percent shareholding.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of GSTPL to arrive at the rating.

Key Rating Drivers

Strengths

Extensive experience of promoters and Strong parentage

GSTPL is a subsidiary of the Cyklop Group, Germany, one of the leading global players in the packing systems and materials. GSTPL inherent business strengths gained through the long track record and technical expertise of the promoters - Mr. A. Narasimhan, Mr Hemant Lajpal and Mr. M. Mani, who have over 2 decades of experience in the packing machinery industry. This helped GSTPL to build a healthy relationship with its suppliers and customers. Its clientele includes reputed entities like Tata Steel Limited, Steel Authority of India Limited, Saint Gobain India Pvt Ltd, Jindal United Steel Limited, Mahalaxmi Industries Services, MPIL Steel Structure Limited, Bhushan Power & Steel Limited, amongst others. The aforesaid factors have aided GSTPL in reporting a compounded annual growth rate (CAGR) of 6.23 percent in the past four years ending FY2021 with revenue of Rs.175 Cr. Acuité believes that GSTPL will continue to benefit from the established track record, experienced promoters over the medium term.

Above-average financial risk profile

GSTPL's financial risk profile is above-average marked by moderate capital structure and above average debt protection metrics. GSTPL's net worth is moderate at Rs. 32.31 Cr as on March 31, 2021 as compared to Rs.29.76 Cr as on March 31, 2019. Gearing is moderate at 1.30 times as on March 31, 2021 as against 0.85 times as on March 31, 2020. TOL/TNW stood at 1.95 times as on March 31, 2021 as against 1.82 times as on March 31, 2020. Moderate net cash accruals lead to moderate NCA/TD and interest coverage ratio of 0.09 times and 2.06 times in FY2021 vis-à-vis 0.17 times and 2.19 times in FY2020, respectively. Acuité believes that with moderate accruals and no significant debt-funded capex plans; the financial risk profile is expected to remain above-average over the medium term.

Weaknesses

Working capital intensive nature of operations

GSTPL's business is working capital intensive, as reflected in its gross current assets (GCAs) of 174 days as on March 31, 2021 as against 161 days as on March 31, 2020. It was primarily driven by stretched receivables and moderate inventory levels of 94 days and 47 days, respectively, as on March 31, 2020 vis-à-vis 98 days and 37 days, respectively, as on March 31, 2020. Working capital requirement is partly offset by creditors of 52 days as on March 31, 2021 as against 78 days as on March 31, 2020. Its bank Limits are utilised at 81 percent over the past six months ended through December, 2021. Acuité believes that GSTPL's operations will remain working capital intensive over the medium term.

Susceptibility of profitability to volatility in raw material prices

GSTPL's raw materials and consumables (majorly steel) account for over 70-75 percent of its product cost. Thus, GSTPL's profitability margins are exposed to fluctuation in o steel prices which are commoditized in nature. The operating margins have been moderate Y-o-Y from 5.77 per cent in FY2021 as against 5.56 per cent in FY2020. Acuité believes that GSTPLs' operating margins shall remain exposed to raw material price movements.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Significant improvement in scale of operations while maintaining profitability margins
- Any large debt-funded capital expenditure, resulting in deterioration of financial risk profile
- Any further deterioration in working capital management leading to deterioration in financials risk profile and liquidity

Material covenants

None

Liquidity Position: Adequate

GSTPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations, albeit constrained by working capital intensive nature of operations. GSTPL reported cash accruals of Rs.3.80 Cr to 6.50 Cr during last 3 years ended through FY2021 as against repayment obligations of about Rs.0.11 Cr to 2.79 Cr during the same period. Its cash accruals are expected in the range of Rs.4-6 Cr over the medium term against repayment obligations of about Rs.2.00 Cr to 2.50 Cr during the same period. GSTPL's working capital operations are working capital intensive as evident from Gross Current Assets (GCA) of 160-174 days during the last three years ended with FY2021. Current ratio is at 1.47 times and it has a free cash and bank balances of Rs.7.15 Cr as on 31, March 2021. Its bank limits are utilised about 81 percent during the past 6 months through December, 2021. Acuité believes that the liquidity is expected to be adequate in the absence of any significant debt-funded capex plans over the medium term.

Outlook: Stable

Acuité believes that GSTPL will maintain 'Stable' outlook over the medium term on account of a long track record of operations and experienced management in the industry. The outlook may be revised to 'positive' if the Company registers higher-than-expected growth in its revenues and profitability or further improves its capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case GSTPL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leading to deterioration in its financial risk profile and liquidity position.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	175.00	165.64
PAT	Rs. Cr.	2.52	3.10
PAT Margin	(%)	1.44	1.87
Total Debt/Tangible Net Worth	Times	1.30	0.85
PBDIT/Interest	Times	2.06	2.19

Status of non-cooperation with previous CRA (if applicable)

GSTPL has not cooperated with Crisil Ratings & Brickwork Ratings, which has classified the company as non-cooperative through a release dated July 26, 2021 and July 16, 2021 respectively. The reason provided by Crisil Rating & Brickwork Rating is non-furnishing of information for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Dec 2020	Working Capital Demand Loan	Long Term	3.30	ACUITE BBB- Stable (Assigned)
	Packing Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	28.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.70	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 Reaffirmed
Canara Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3 Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3 Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3 Reaffirmed
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	3.30	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	7.00	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	3.43	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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