

Press Release
GRIP STRAPPING TECHNOLOGIES PRIVATE LIMITED
July 05, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	45.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	51.23	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	13.00	-	ACUITE A3 Assigned
Bank Loan Ratings	23.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	132.23	-	-

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. 74.23 Cr bank facilities of Grip Strapping Technologies Private Limited (GSTPL). The outlook is 'Stable'.

Acuite has assigned its long term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and short term rating of 'ACUITE A3' (read as ACUITE A three) on additional Rs.58Cr bank facilities of Grip strapping technologies private limited. The out look is 'Stable'.

Rationale for reaffirmation of rating:

The ratings reaffirmation factors in the improving operating performance of GSTPL marked by improving revenue and range bound operating margins. The company's revenue has recorded 18 percent YOY growth during FY23(Provisionals) as it stood at Rs.305.72Cr as against Rs.259.64Cr in FY22. The operating margins ranged between 4%-5.05% during the last three years ended March 31, 2023. The ratings are, however, constrained by the moderate working capital intensity and vulnerability of profitability to volatility in raw material prices. Furthermore, GSTPL in December, 2022 completed a capex to enhance its production capacity to 48000 MTPA from 24000 MTPA. Going forward the company's ability to scale up its production activities by efficient utilization of enhanced capacity while improving the operating margins and working capital operations will be a key rating monitorable.

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 24,000MTPA. As on December, 2022 with installation of additional capacity of strapping plant, annual production capacity of the Company improved to 48,000 MTPA. The day to day operations are managed by the promoters' Mr. A. Narasimhan, Mr Hemant Lajpal and Mr. M. Mani

Analytical Approach

Acuité 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 established relation with reputed clients:

GSTPL is an associate 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. Acuité believes that GSTPL will continue to benefit from the established track record, experienced promoters over the medium term.

Improving operating performance

GSTPL revenues have recorded an increasing trend since last 2 years, the company has reported revenue of Rs. 305.72 Cr in FY2023 as against Rs.259.64Cr in FY22 and Rs.175.01Cr in FY21. This significant growth in the revenue is contributed by higher volumes and healthy realisation rates during the past 2 years. The operating margins remain range bound during this period as the company recorded operating margins of 5.06 percent in FY23 (Provisionals) against 4.00 percent in FY22 and 5.04% in FY2021. The company in order to expand its activities, has purchased an existing manufacturing plant located in Visakhapatnam, Andhra Pradesh by way of auction bid for a total cost of Rs. 36.00Cr. The said unit achieved its DCCO in December 2022 and has increased the annual production capacity of GSTPL to 48000 MTPA from 24000 MTPA. This new plant is expected to be operational at 40-50 percent of its capacity during FY24. With this additional manufacturing capacity GSTPL's ability to scale up its operations and improve its profitability margins will remain a key monitorable aspect.

Moderate financial risk profile:

The financial risk profile of the company is moderate marked by moderate capital structure and average debt protection metrics. The net worth of the company stood at Rs.48.45 Cr as on 31 March, 2023 (Provisionals) against Rs.35.37Cr during previous year. The improvement is on account of healthy accretion of net profit in the reserves during the period and issue of right shares worth Rs.4.44 cr. With the subscription of this right issue by other investors, the holding of Cyklop Asia Pte Limited reduced to 25.5% as on March 31, 2023. The company's gearing level (debt-equity) has improved to 1.47 as on March 31, 2023 (Provisionals) against 1.77 times as on 31 March, 2022. Debt protection metrics of the company are moderate with Interest coverage ratio and debt service coverage ratio at 1.90 times and 1.46 times respectively as on March 31, 2023 (Provisionals) against 1.96 times and 1.16 times respectively in previous year. Total outside liabilities to tangible net worth stood at 2.58 times as on March 31, 2023 (Provisionals) against 2.42 times in previous year. Debt to EBITDA is improved but high at 4.51 times as on March 31, 2023 (Provisionals) against 5.72 times as on March 31, 2022.. Going forward the financial risk profile of the company is expected to remain moderate in the absence of any debt funded capex plan.

Weaknesses

Moderate intensive working capital operations:

The working capital operations of the company are moderately intensive which is evident from the Gross Current Asset (GCA) days of 148 during FY23(provisional). This was mainly driven by stretched receivables and moderate inventory levels of 73 and 45 days during FY23(Provisionals). The creditor days stood at 71 days in FY2023 (Provisionals) as against 34

days in FY22. This over all scenario has led to moderately high utilization of fund based limits at 80 percent during FY23.

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. However, the company over the last three years have maintained its operating margins in the range of 4-5.05 percent till Fy2023

Rating Sensitivities

- Scaling up production operations and improving profitability.
- 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 sufficient net cash accruals against its maturing debt obligations, albeit moderately intensive working capital operations. GSTPL reported cash accruals of Rs.5.80 as on March 31, 2023(Provisionals) against the repayment obligation of Rs.1.38Cr. The company is expected to generate cash accruals in the range of Rs.12Cr to Rs.14Cr against obligations in the range of Rs.2.9Cr to 3.5Cr during the medium term. The working capital operations of the company are moderately intensive which is reflected by its GCA days of 148 as on March 31, 2023 (Provisionals), Current ratio stood at 1.36 times. The company's liquidity is expected to be adequate in the medium term on account of healthy accruals. Going forward the company's liquidity position is expected to be adequate on account of sufficient cash accruals against repayment obligations and improving scale of operations.

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

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	305.72	259.64
PAT	Rs. Cr.	4.19	3.02
PAT Margin	(%)	1.37	1.16
Total Debt/Tangible Net Worth	Times	1.47	1.77
PBDIT/Interest	Times	1.90	1.96

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Jun 2023	Packing Credit	Long Term	5.00	ACUITE BBB- (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	14.23	ACUITE BBB- (Reaffirmed)
	Bills Discounting	Short Term	6.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	32.00	ACUITE BBB- (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A3 (Reaffirmed)
06 Apr 2022	Letter of Credit	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Working Capital Demand Loan	Long Term	3.30	ACUITE BBB- Stable (Reaffirmed)
	Packing Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	6.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	28.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	4.50	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.43	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	7.00	ACUITE BBB- Stable (Assigned)
02 Dec 2020	Working Capital Demand Loan	Long Term	3.30	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.70	ACUITE BBB- Stable (Assigned)
	Packing Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	28.00	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	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE A3 Reaffirmed
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A3 Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	32.00	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A3 Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A3 Assigned
Canara Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.51	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	19.50	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	14.23	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.77	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.72	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	7.00	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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