



**Press Release**  
**Grip Strapping Technologies Private Limited**  
**October 01, 2024**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.08	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	99.23	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	4.00	-	ACUITE A3   Assigned
Bank Loan Ratings	33.00	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	156.31	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minusa) and reaffirmed the short-term rating of 'ACUITE A3' (read as ACUITE A three) on the Rs. 132.23 Cr. bank facilities of Grip Strapping Technologies Private Limited (GSTPL). The outlook is 'Stable'.

Acuite has also assigned its long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minusa) and the short-term rating of 'ACUITE A3' (read as ACUITE A three) on additional Rs. 24.08 Cr. bank facilities of Grip strapping Technologies Private Limited (GSTPL). The outlook is 'Stable'.

**Rationale for reaffirmation:**

The reaffirmation of rating favourably considers factors GSTPL's growth in sale of operations, range bound operating margins and moderate intensive working capital cycle. Despite of substantial volume growth of 49 percent in steel strapping and 13 percent in metal seals compared to previous year, the revenue improved only by 11 percent due to lower realizations during the year. Consequently, operating margins improved by 50 bps yet remained thin for FY2024, while PAT margin declined to 0.79 percent due to high interest expenses. Additionally, the financial risk profile is moderate with moderate network and debt protection metrics. Going forward, growth in profitability and financial risk profile will be a key monitorable.

**About the Company**

Incorporated in 2005, GSTPL is engaged in the manufacturing of High Tensile Steel Strappings, Seals, Packaging Tools and Accessories. GSTPL has two manufacturing facilities, one in Hyderabad, Telangana with an installed capacity of 24,000 MTPA and a new plant in Vizag, Andhra Pradesh with an installed capacity of 24,000 MTPA. The

day to day operations are managed by the promoters' Mr. A. Narasimhan, Mr Hemant Lajpal and Mr. M. Mani.

### **Unsupported Rating**

Not applicable

### **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 Private Limited, 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 scale of operations with range bound operating margins:

GSTPL registered revenue of Rs.338.65 Cr. during FY2024, against the previous year's revenue of Rs.305.27Cr. Improvement in revenue is primarily attributed to increased volume of steel straps and seals. As operations in new plant was started in FY2024, the actual production of steel straps and seals was increased by 49 percent and 13 percent respectively during the year. Despite of substantial improvement in volume during FY2024, the revenue has improved only by 11 percent due to lower realizations for steel straps and seals. In the current financial year till August, GSTPL registered revenue of Rs.184.31 Cr. which is 30 percent higher than, previous year's revenue of Rs.141.39 Cr, while the volume increased by 19 percent for the same period. The Anakapally plant, is expected to be operated at 70 percent capacity in the current year which helps revenue growth for FY2025. The operating profit margins remained range bound between 4 to 4.5 percent over the past 3 years. Since, the company is into processing and trading of steel to straps and seals, the margins are expected to remain in the similar range over the medium term. However, the power incentives from the government is expected to save the power cost to some extent. Acuite expects, GSTPL's revenue to improve further over the medium term on account of the increased production capacity and expected new orders from defence sector clients.

#### Moderate intensive working capital operations:

GSTPL's working capital operations are moderate intensive as reflected through the gross current asset (GCA) days of 135 days in FY2024 against 137 days in FY2023. The GCA days primarily driven by stretched receivable period. The company offers a credit period of 30-60 days to its customers and enjoys a credit period of 45-60 days from its suppliers. The inventory days stood at 35 days in FY2024 against 37 days in FY2023. The working capital conversion period is less than 50 days resulting in moderate dependency on the fund based working capital limits, which were utilized at an average of 52 percent over the past 6 months ending August, 2024. Acuite believes, the working capital operations of GSTPL will remain moderate intensive with a moderate working capital conversion period.

### Weaknesses

#### Moderate financial risk profile:

GSTPL's financial risk profile is moderate, marked by moderate net worth, moderate gearing and moderate debt protection metrics. The company's net worth stood at Rs.50.55 Cr. as on March 31, 2024 against Rs.47.50 Cr. as on March 31, 2023. The improvement in net worth is due to accretion of profits to reserves during the period. The company's leverage indicators deteriorated marginally due to increase in overall debt levels. The gearing and total outside liabilities to tangible net worth (TOL/TNW) levels stood at 1.73 times and 2.67 times as of March 31, 2024 respectively compared to 1.49 times and 2.62 times as on March 31, 2023 respectively. The overall debt levels increased to Rs.87.53 Cr. as on March 31, 2024 from Rs.70.62 Cr. as on March 31, 2023, primarily due to increase in short term debt. The debt protection metrics remained moderate with DSCR and ICR of 1.20 times and 1.60 times respectively as on March 31, 2024. Debt to EBITDA deteriorated to 5.19 times as on March 31, 2024 from 4.94 times as on March 31, 2023. Acuite believes that the financial risk profile of the company will improve over the medium term due to increasing scale of operations and absence of any debt funded capex plan.

#### 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 steel prices which are commoditized in nature. However, the company over the last three years have maintained its operating margins in the range of 4-4.5 percent till FY2024.

### Rating Sensitivities

**Positive:**

- Sustaining the growth in revenue.
- Improvement in profitability margins and financial risk profile.

**Negative:**

- Further deterioration of financial risk profile.
- Any elongation in working capital operations leading to deterioration in liquidity position.
- Lower-than expected operating margins leading to lower net cash accruals.

**Liquidity position: Adequate**

GSTPL's liquidity position is adequate as reflected through sufficient net cash accruals against the repayment obligations. The company registered NCA's of Rs. 5.65 Cr. as on March 31, 2024, comfortably covering the debt obligation of Rs.2.92 Cr. for the same period. NCA's are expected to range between Rs.7 -10 Cr. over the medium term which would comfortably meet the expected repayment range of Rs.5 -6 Cr. The company's current ratio stood moderate at 1.23 times as on March 31, 2024 and the GCA days remained at 135 days in FY2024. The fund based bank limits were moderately utilized at an average of 52 percent during the past 6 months ending August, 2024. GSTPL has been maintaining nil balances of unencumbered cash and bank balances over the past 2 years. Acuite believes that the liquidity position of the company will remain adequate over the medium term on account of sufficient cash accruals against repayment obligations.

**Outlook: Stable**

Acuite 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 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	338.65	305.27
PAT	Rs. Cr.	2.67	3.24
PAT Margin	(%)	0.79	1.06
Total Debt/Tangible Net Worth	Times	1.73	1.49
PBDIT/Interest	Times	1.60	1.77

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

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Jul 2023	Packing Credit	Long Term	5.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	14.23	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	15.77	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	32.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	0.50	ACUITE BBB-   Stable (Assigned)
	Secured Overdraft	Long Term	19.50	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	1.72	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	7.00	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.51	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	12.00	ACUITE A3 (Reaffirmed)
08 Jun 2023	Packing Credit	Long Term	5.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	14.23	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	32.00	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	6.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3 (Reaffirmed)
06 Apr 2022	Letter of Credit	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	6.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	28.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	4.50	ACUITE BBB-   Stable (Reaffirmed)
	PC/PCFC	Long Term	5.00	ACUITE BBB-   Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	3.30	ACUITE BBB-   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	7.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	3.43	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE A3   Reaffirmed
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE A3   Assigned
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	32.50	Simple	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.50	Simple	ACUITE BBB-   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	21.00	Simple	ACUITE A3   Reaffirmed
Canara Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.91	Simple	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	19.50	Simple	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.50	Simple	ACUITE BBB-   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Term Loan	09 Nov 2022	Not avl. / Not appl.	09 Nov 2032	26.25	Simple	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	30 May 2024	Not avl. / Not appl.	12 Jul 2028	1.72	Simple	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	30 May 2024	Not avl. / Not appl.	12 Jul 2028	2.08	Simple	ACUITE BBB-   Stable   Assigned
Canara Bank	Not avl. / Not appl.	Working Capital Term Loan	09 Sep 2020	Not avl. / Not appl.	24 Sep 2024	0.10	Simple	ACUITE BBB-   Stable   Reaffirmed
Canara Bank	Not avl. / Not appl.	Working Capital Term Loan	23 Nov 2021	Not avl. / Not appl.	23 Nov 2026	5.25	Simple	ACUITE BBB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

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