

Press Release

Grip Engineers Private Limited

April 28, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	23.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	35.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.35.00 crore bank facilities of Grip Engineers Private Limited (GEPL). The outlook is '**Stable**'.

Reason for rating reaffirmed

The rating reaffirmation is on account of recovery witnessed in the business risk profile of the company during the current financial year after the outbreak of covid-19. The rating continues to draw comfort from the experienced management with long track record of operations, moderate financial risk profile and adequate liquidity position of the company. The ratings are constrained by the working capital intensive nature of operations and operating in a highly competitive & fragmented industry.

About the Company

GEPL was set up in 1982 as a partnership firm and commenced business as a trader for selling various types of Cranes, Electric Hoists, Elevators among others. Subsequently, it is converted into private limited in 1988 and started its manufacturing unit at Faridabad in 1992. GEPL is engaged in manufacturing items like EOT Cranes, Goliath Cranes, Jib cranes, different types of Electric Hoists, among others. These cranes majorly used in the steel, power, construction, ports, Cement industries among others. GEPL has two manufacturing units in Faridabad (Haryana) and one in Medchal (Telangana).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of GEPL to arrive at the rating

Key Rating Drivers

Strengths

Experienced management and long operational track record

GEPL was established in 1982 by the promoters, Mr. Hemant Lajpal, Mr. M Mani, Mr. Dwarakesh Lajpal, and Mr. Ranjit Arya. All the promoters have over three decades of experience in the crane manufacturing industry. The directors are well supported by the other professional team. Longstanding presence of nearly three decades, which helped to build healthy relationships with its suppliers and customers to ensure a steady raw material supply and repeat business. The company has a reputed customer base like Tata Projects Ltd, Megha Engg & Infrastructure Ltd, and Bharat Heavy Electrical Ltd among others. Acuité believes that the promoter's experience, vintage of operations, reputed clientele are expected to support in improvement of its business risk profile over the medium term.

Moderate Financial Risk Profile

GRIP's financial risk profile is moderate backed by modest net worth, low gearing and moderate debt protection metrics. The tangible net worth of GEPL is modest at Rs.13.47 crore as on March 31, 2021 as against Rs.13.24 crore as on March 31, 2020. The total debt of the company stood at Rs.12.65 crore includes Rs.2.37 crore of long-term debt, Rs.0.85 crore of unsecured loans and Rs.9.43 crore of short-term debt as on March 31, 2021. The gearing (debt-equity) stood comfortable at 0.94 times as on March 31, 2021 as compared to 0.96 times as on March 31, 2020. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.71 times as on March 31, 2021 as against 1.78 times on March 31, 2020. The debt protection matrices stood comfortable with debt-service-coverage-ratio and interest-coverage-ratio of 1.46 times as on March 31, 2021.

Acuité believes that the financial risk profile of the company is expected to remain moderate over the medium term on account of no significant capex plans over the medium term.

Weaknesses

Working Capital Intensive Operations

The operations of the company are working capital intensive marked by high GCA days of 361 days in FY2021 as against 247 days in FY2020. The high GCA days are on account of elongated debtor collection period of 176 days in FY2021 as against 102 days in FY2020. The elongated debtor days are on account of higher sales in the last quarter of FY2021. The inventory days stood at 185 days in FY2021 as against 140 days in FY2020. The creditors days stood at 127 days in FY2021 as against 92 days in FY2020. The company enjoys a credit period of 15-30 days in case of steel and 60 days in case of other components.

Acuité believes that the ability of the company to efficiently manage its working capital cycle will remain a key rating sensitivity.

Profitability susceptible to fluctuations in raw material prices and Stiff Competition

The operating cycle/inventory conversion period for manufacturing crane (including designing) is around three to twelve months. The lengthy operating cycle keeps the margins vulnerable to fluctuations in steel prices due to the fixed-price nature of contracts with its customers. Though the company has a diversified customer base across industries, the performance is susceptible to cyclicalities in investments by the end user industries. The diversification protects the company to some extent from a slowdown in demand prospects of any particular industry. Further Indian crane industry is largely fragmented and faces stiff competition from established foreign as well as domestic players.

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

Improvement in working capital management and liquidity position

Material covenants

None

Liquidity: Adequate

The company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. GEPL generated cash accruals of Rs.0.75 crore as against maturing debt obligation of Rs.0.05 crore during FY2021. The company is expected to maintain Net cash

accruals between Rs. 1.47-2.56 crore against maturing debt obligations of Rs. 1.07-0.19 crore. The current ratio of the company stood at 1.48 times as on March 31, 2021 as against 1.41 times as on March 31, 2020. The average bank limit utilization was around 49.60 percent during the last 6 months ended as on February 2022.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against its repayment obligations.

Outlook: Stable

Acuité believes that GEPL will maintain a stable outlook over the medium term owing to its experienced management and established relationship with customers. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of high debt-funded capex than expectation leading to deterioration in the financial risk profile and elongation of the working capital cycle impacting its liquidity profile.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	28.65	41.88
PAT	Rs. Cr.	0.23	0.30
PAT Margin	(%)	0.82	0.73
Total Debt/Tangible Net Worth	Times	0.94	0.96
PBDIT/Interest	Times	1.46	1.54

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

CRISIL, vide its press release dated February 23, 2022 had denoted the rating to Grip Engineers Pvt Ltd (GEPL) as 'CRISIL B /Stable /CRISIL A4' (Issuer Not Cooperating)' on account of lack of adequate information required for monitoring of ratings.

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>
- 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
04 Sep 2020	Working Capital Term Loan	Long Term	1.59	ACUITE BB+ Stable (Assigned)
	Letter of Credit	Short Term	19.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BB+ Stable (Assigned)
	Working Capital Demand Loan	Long Term	0.90	ACUITE BB+ Stable (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	0.51	ACUITE BB+ Stable (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	4.00	ACUITE A4+ Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BB+ Stable Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.63	ACUITE BB+ Stable Reaffirmed
Canara Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	0.15	ACUITE BB+ Stable Reaffirmed
Canara Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.22	ACUITE BB+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Deepti Bhandarkar Analyst-Rating Operations Tel: 022-49294065 deepti.bhandarkar@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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