



Press Release
Grip Engineers Private Limited
July 21, 2023
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	-	-

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**'.

Rationale for rating reaffirmation:

The ratings reaffirmation factors in the stable operating performance of GSTPL marked by improving revenue and range bound operating margins. The company's revenue has recorded 35 percent YOY growth during FY23(Provisionals) as it stood at Rs.61.43Cr as against Rs.45.98Cr in FY22. EBITDA margin of the company has been declining over the past three years, EBITDA margin stood at 4.52 percent during FY23 (Prov.) against 4.87 percent in FY22. The financial risk profile of the company continues to be moderate with moderate network position, capital structure and coverage indicators. The ratings are, however constrained by intensive working capital operations and susceptibility of profitability margins to the raw material changes and price negotiations. Going forward, the company's ability to sustain the growth in revenue while improving its operational margins and working capital operations will be a key rating monitorable.

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 are majorly used in the steel, power, construction, ports, cement industries among others. GEPL has two manufacturing units one 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

The financial risk profile of GEPL is moderate marked by moderate capital structure and debt protection metrics. Company's Net worth stood at Rs.14.25Cr as on March 31, 2023 (Prov.) against Rs.13.70Cr during previous year. Growth in net worth is primarily due to accretion of profits to reserves. The capital structure is moderate as observed from the gearing of 0.81 times as on March 31, 2023 (Prov.) against 0.65 times during the previous year. Total outside liabilities to total net worth was at 1.77 times as on March 31, 2023 (Prov.) against 1.49times during the previous year. Debt protection metrics improved slightly during FY23. Interest coverage ratio (ICR) stood at 1.83 times as on March 31, 2023 against 1.65times during the previous year. Debt service coverage ratio (DSCR)improved to 1.16 times as on March 31, 2023 (Prov.) against 0.83 times during the previous year. Total outside liabilities to tangible networth stood at 1.77 times during FY23 (Prov.) against 1.49 times during previous year. Debt to EBITDA slightly deteriorated to 4.18 times as on March 31, 2023 from 3.99 times of previous year. Acuite believes that financial risk profile of the company is expected to remain moderate in absence of major capex plans in medium term.

Weaknesses

Moderate intensive working capital operations:

The working capital operations of the company are moderately intensive marked by GCA days of 181 days in FY23 (Prov.) improved from 207 days in FY22. Improvement in GCA days is primarily attributable to decline in inventory holding period. Inventory days stood at 82 days during FY23 against 120 days in previous year. Inventory mainly includes work-in-progress. Debtor days stood at 93 days during FY23 against 81 days during FY22. Generally, GEPL allows 60-90 days of credit period for its customers, the credit period allowed varies among customers. Further, the company also has to maintain retention money of 10% which takes 6 months to 2 years for realization. Creditor days stood at 67 days for FY23 against 92 days during previous year. GEPL enjoys 60 -90 days of credit period with its suppliers. Acuite believes that ability of the company to efficiently manage its working capital cycle will remain a key rating sensitivity.

Susceptibility of margins 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 which sometimes results in lower price quotations for the customers and yields less margins.

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 Position : Adequate

GEPL's liquidity position is adequate which is evident from the sufficient net cash accruals (NCA) against moderate debt repayment obligations and moderate- healthy current ratio. The company has reported NCA's of Rs.1.01Cr during FY23 (Prov.) against debt repayment obligations of Rs.0.65Cr for the same period. Going forward NCA's are expected to be in the range of Rs.2-3.5Cr in the medium term with relatively lower repayment obligations of Rs.0.62Cr to 0.15Cr for the same period. The company's working capital operations are moderately intensive which is reflected by GCA days of 181 days as on March 31, 2023 (Prov.), current ratio of the company stood at 1.36 times during FY23 (Prov.). Unencumbered cash and bank balances stood Rs.0.41Cr as on March 31, 2023 (Prov.). The average bank limits utilization for the past 12 months stood at ~64 percent ending May, 2023.

Acuite believes that liquidity position is expected to be adequate on account of sufficient cash accruals against 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

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	61.43	45.98
PAT	Rs. Cr.	0.55	0.22
PAT Margin	(%)	0.90	0.48
Total Debt/Tangible Net Worth	Times	0.81	0.65
PBDIT/Interest	Times	1.82	1.65

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

GEPL has not cooperated with Crisil ratings, which has rated the company to CRISIL B/Stable/A4 as Non-cooperative through a press release dated 21-04-2023. The reason provided by Crisil 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>
- 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
28 Apr 2022	Letter of Credit	Short Term	19.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	0.15	ACUITE BB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.63	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A4+ (Reaffirmed)
	Working Capital Term Loan	Long Term	1.22	ACUITE BB+ Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A4+ Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE BB+ Stable Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.41	ACUITE BB+ Stable Reaffirmed
Canara Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.59	ACUITE BB+ Stable Reaffirmed

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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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