



## Press Release

**G.R. Engineering Private Limited**

**October 10, 2022**

### Ratings

<b>Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long Term Bank Facilities	10.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Revised from IVR BBB-/ Stable (IVR Triple B Minus)	Simple
Short Term Bank Facilities	448.00 (Increased from Rs.350.00 crore)	IVR A3+ (IVR A Three Plus)	Revised from IVR A3 (IVR A Three)	Simple
Long Term/ Short Term Bank Facilities	42.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook) / IVR A3+ (IVR A Three Plus)	Assigned	Simple
<b>Total</b>	<b>500.00 (Rupees Five Hundred crore only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The revision in the ratings assigned to the bank facilities of G.R. Engineering Private Limited (GREPL) takes into account improvement in the operational and financial performance of the company in FY22 and Q1FY23, as reflected in the increase in scale of operations and profitability coupled with an improvement in capital structure and debt protection metrics. The ratings continue to derive strength from the experience of its promoters, the company's long track record of operations and its healthy order book position. The ratings are, however, constrained by the customer concentration risk, susceptibility of its profitability to volatile input prices, presence in a highly competitive industry and tender driven nature of the business.

### Key Rating Sensitivities:

#### Upward Factors

- Sustained improvement in the total operating income by more than 35%.



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- Improvement in EBITDA margin above 12% and PAT margin above 6% on a sustained basis, leading to improvement in overall financial risk profile of the company.
- Significant improvement in capital structure and debt protection parameters and liquidity position of the company

### **Downward Factors**

- Any decline in revenue and profitability leading to deterioration in debt protection metrics
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters and long track record of operations**

The company has an established track record of more than five decades of operations in the fabrication business. GREPL was promoted by late Mr. D.P. Hariani who had long standing experience in the engineering industry. The current promoters & directors have extensive experience in the sector. Mr. R. D. Hariani, after working as Technical Director for about 2 decades, he has taken over as Managing Director of the company since 1990. He is fully conversant with marketing and technical aspects of this industry and looks after the overall management of the company. Besides, he has been greatly instrumental in procuring and implementing some of the most prestigious projects executed by the company.

##### **Substantial improvement in the scale of operations and profitability in FY22 and Q1FY23**

In FY22 the company's total operating income has improved significantly by around 26%, from Rs.214.30 crore in FY21 to Rs.271.22 crore in FY22, mainly on account of increase in the projects executed by the company. As informed by the management, the company has achieved total operating income of around Rs.180 crore till September 26, 2022. In FY22, GREPL's EBITDA margin increased by more than 300 bps, from 8.41% in FY21 to 11.49% in FY22 due to better average sales realisation. In line with this the PAT margin also improved sharply from 1.13% in FY21 to 4.90% in FY22, and the GCA has improved from Rs.12.02 crore in FY21 to Rs.23.07 crore in FY22.

##### **Improvement in the capital structure and debt protection metrics**



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The overall gearing ratio improved and stood at 0.75x as on March 31, 2022, as against 0.95x as on March 31, 2021, mainly due to increase in tangible network. The tangible network increased from Rs.133.58 crore as on March 31, 2021 to Rs.151.24 crore as on March 31, 2022. TOL/TNW stood at 1.47x as on March 31, 2022 as against 1.20x as on March 31, 2021. Further, the debt protection metrics also improved significantly due to the improvement in the company's profitability and cash accruals. The interest coverage and total debt/ GCA ratios stood at 3.06x and 4.91x respectively in FY22 as against 1.66x and 10.52x respectively in FY21.

### **Healthy order book position**

The company had an unexecuted order book position of Rs.971.95 crore as on September 26, 2022, to be executed in a period of 15-18 months. The outstanding order book position is around 3.58 times of total operating income (TOI) for FY22, indicating moderate revenue visibility.

### **Key Rating Weaknesses**

#### **Susceptibility of profitability to volatile input prices**

Major raw materials used in fabrication activities are steel which are usually sourced from large players. Historically, the cost of these raw materials and steel products have been volatile in nature and hence, profitability margins of the company are susceptible to fluctuation in raw material prices and/or finished products.

#### **Customer concentration risk**

GREPL deals with customers like Indian Oil Corp. Ltd., ONGC Petro Additional Ltd., TATA Projects Ltd., Megha Engineering Limited, GAIL Limited, Bharat Petroleum Corporation Limited etc. The top 10 customers contributed 98.68% of the total revenue in FY22, indicating high customer concentration risk for the company. However, GREPL has a long-term relationship with most of its clients which helps mitigate the risk to an extent.

#### **Presence in a highly competitive industry and tender driven nature of the business**

The industry is characterized by competition from various players to tap the market share at competitive pricing strategy. Due to intense competition in domestic as well as overseas market, there is pressure on the company's scalability, pricing and profitability. However, the same is mitigated to a certain extent owing to long-standing business relationship with market leaders of the user industries.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

Criteria of assigning Rating Outlook

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

**Liquidity: Adequate**

GREPL's liquidity is likely to remain adequate in the medium term given the expected cash accruals against the repayments in FY23-25. The free cash balance as on March 31, 2022 stood at Rs.15.64 crore. The average working capital utilisation of the fund based limits for the 12 months ended August 2022 remained moderate at ~49% while that of the non-fund based limits stood at around 62%. The overall gearing ratio below unity also gives the company sufficient headroom. Moreover, the company does not have major capex plans during the projected period, which imparts further comfort.

**About the company**

GREPL, the flagship company of the GR group, was incorporated in 1966 by Mr. D.P. Hariani. The company started its operations by setting up a fabrication unit for supplying pressure vessels and equipments to the petrochemical industry in Mumbai under the name G.R. Engineering Works Limited. Subsequently, the company shifted its fabrication base to Tarapur, and added critical pressure vessel equipments catering to user industries such as nuclear power, fertilizers and oil industries to its product portfolio. Till April 2008, both non-engineering and engineering business was carried out under the name of G.R. Engineering Works Limited. Subsequently, as an organizational restructuring strategy, the company's engineering activity was demerged from non-engineering activities with effect from May 1, 2008 and its core business of heavy engineering activity was shifted to GREPL, with other non-engineering activities (mainly real estate business) was shifted to GREW Industries Limited. GREPL caters to the fabrication of custom-made equipment for process industries like petrochemicals, chemicals, fertilizer, refineries and oil & gas. The company is on the approved vendor list of major EPC contractors/ project management companies like



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Engineers India Ltd., Toyo Engineers etc. The company is ISO 9001: 2015, ISO 45001: 2018, ISO 14001: 2015, ASME 'U', 'U2' and R Stamp Holder Company.

### Financials (Standalone):

(Rs. crore)		
For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	214.30	271.22
EBITDA	18.02	31.18
PAT	2.45	13.40
Total Debt	126.50	113.19
Tangible Networkth	133.58	151.24
<b>Ratios</b>		
EBITDA Margin (%)	8.41	11.49
PAT Margin (%)	1.13	4.90
Overall Gearing Ratio (x)	0.95	0.75

\*Classification as per Infomerics' standards

### Status of non-cooperation with previous CRA:

- India Ratings vide its press release dated June 3, 2022 continues to classify the rating of GERPL's bank facilities under Issuer Not Cooperating category on account of non-submission of relevant information.
- CRISIL Ratings vide its press release dated August 23, 2021 continues to classify the rating of GERPL's bank facilities under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Nil

### Rating History for last three years:

Sr. No	Name of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (November 18, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit (CC)	Long Term	10.00	IVR BBB/ Stable	IVR BBB-/ Stable	-	-



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2.	Working Capital Demand Loan (WCDL)	Short Term	23.00	IVR A3+	IVR A3+	-	-
3.	Letter of Credit (LC)	Short Term	55.00	IVR A3+	IVR A3+	-	-
4.	Bank Guarantee (BG)	Short Term	240.00	IVR A3+	IVR A3	-	-
5.	Proposed BG/LC	Short Term	130.00	IVR A3+	IVR A3		
6.	Proposed CC/WCDL	Long Term / Short Term	42.00	IVR BBB/ Stable / IVR A3+	-	-	-

### Name and Contact Details of the Rating Analyst:

Name: Nilesh Gupta Tel: (022) 62396023 Email: <a href="mailto:nilesh.gupta@infomerics.com">nilesh.gupta@infomerics.com</a>	Name: Niriksha Gupta Tel: (022) 62396023 Email: <a href="mailto:niriksha.gupta@infomerics.com">niriksha.gupta@infomerics.com</a>
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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)





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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
CC	-	-	-	10.00	IVR BBB/ Stable
WCDL	-	-	-	23.00	IVR A3+
Letter of Credit	-	-	-	55.00	IVR A3+
Bank Guarantee	-	-	-	240.00	IVR A3+
Proposed BG/LC	-	-	-	130.00	IVR A3+
Proposed CC/WCDL	-	-	-	42.00	IVR BBB/ Stable / IVR A3+

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details** <https://www.infomerics.com/admin/prfiles/Lender-10-10-2022-GR.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).