



Press Release

G. R. Engineering Private Limited (GREPL)

January 22, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complex ity Indicator
Long Term Facilities	45.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Rating Reaffirmed	Simple
Short Term Facilities	440.00	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	Rating Reaffirmed	Simple
Total	485.00 (Rs. Four Hundred Eighty Five crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rational

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of GREPL continues to derive strength from improvement in total operating income, albeit decline in operating profitability, comfortable capital structure and debt protection metrics, healthy order book position and experienced promoters and long track record of operations. However, these rating strengths are partially offset by elongated working capital cycle, susceptibility of profitability to volatile input prices, customer concentration risk and presence in a highly competitive industry and tender driven nature of the business.

The Stable Outlook of GREPL reflects benefit from experienced promoters and comfortable financial risk profile.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the company's revenue and/or profitability while maintaining the debt protection parameters.



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- Sustenance of capital structure and improvement in debt protection metrics.
- Improvement in working capital cycle.

Downward Factors

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.
- Deterioration in operating cycle impacting the liquidity and cash flows
- Any un-envisaged incremental debt funded capital expenditure leading to a deterioration in its overall credit profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Improvement in total operating income, albeit decline in operating profitability**

GREPL's total operating income has improved by ~8% on y-o-y basis to Rs.461.82 crore for FY24 (period refers from 01st April 2023 to 31st March 2024) (P.Y.: 426.76 crore), led by execution of order book. Further, GREPL has achieved total operating income of Rs.327.28 crore during 9MFY25. EBITDA margins have declined to 9.09% during FY24 (P.Y.: 12.52%), this is related high unbilled revenue at the end of FY24. However, PAT margin has improved to 6.66% in FY24 (P.Y.: 5.33%), due to stable interest cost despite declined in operating profitability.

- **Comfortable capital structure and debt protection metrics**

GREPL's capital structure remained at comfortable levels with overall gearing on adjusted TNW improved to 0.73x while TOL/ATNW improved to 2.00x as on 31st March 2024 (31st March 2023: 1.17x and 2.32x respectively) with profit accretion to net worth and repayment of term loans. Infomerics expects capital structure to remain at comfortable levels with profit accretion to net worth and absence of any major debt led capex. Debt protection metrics remained comfortable with interest coverage ratio which has deteriorated, however still stood at comfortable levels at 3.25x in FY24 (P.Y.: 4.14x). However, total debt/NCA has improved and stood at 3.49 years in FY24 (FY23: 5.34 years) with debt repayments. IVR expects debt protection metrics are expected to be remain at comfortable levels



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through FY25-FY27 with absence of any major debt led capex and expected improvement in EBITDA margins.

- **Healthy order book position**

As on December 31, 2024, the company had an unexecuted order book position of Rs.1040.85 crore (2.25x of FY24 revenue), to be executed in a period of 15-18 months indicates medium revenue visibility. The order book are from customers like Indian Oil Corporation Limited, Numaligarh Refinery Limited, Bharat Petroleum Corporation Limited, Mundra Petrochem Limited and Reliance Chemicals & Materials Limited.

- **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.

Key Rating Weaknesses

- **Elongated Working Capital Cycle**

GREPL's working capital cycle remained elongated with net working capital cycle of 83 days at the end of FY24 (FY23:59 days) due to higher receivable days which has increased to 169 days in FY24 as compared to 104 days in FY23 due to higher revenue in 4QFY24 as well as delay in receipt of payment from PSU customers. However, Infomerics draws comfort as average fund based utilisation for twelve months ended November 2024 stood at 41.34%.

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



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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. However, presences of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.

- **Customer concentration risk**

GREPL deals with customers like Numaligarh Refinery Limited, Indian Oil Corporation Limited, Wuhuan – Talchar and Megha Engineering & Infrastructures Limited etc. The top 5 customers contributed ~86% of the total revenue in FY24, indicating high customer concentration risk for the company. However, GREPL has a long-term relationship with most of its clients which helps mitigates 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.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

GREPL's liquidity is expected to remain adequate given the expected cash accruals in the range of Rs. 39.28 crore to Rs. 61.64 crore in the period of FY25 to FY27 as against the



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minimal repayments of Rs.5.35 crore to Rs.8.62 crore. The free cash and cash equivalents balance stood at Rs.13.76 crore as on March 31, 2024, while average working capital utilisation for the 12 months ended November 2024 remained moderate at ~41%. Current ratio stood at 1.78x as on March 31, 2024.

About the Company

GREPL, the flagship company of the GR group, was incorporated in 1966 by Mr. D.P. Hariani. GREPL caters to the fabrication of custom-made equipment for process industries like petrochemicals, chemicals, fertilizer, refineries and oil & gas.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	426.76	461.82
EBITDA	53.41	41.97
PAT	23.05	31.23
Total Debt	168.15	127.52
Tangible Net Worth	143.35	174.62
EBITDA Margin (%)	12.52	9.09
PAT Margin (%)	5.33	6.66
Overall Gearing Ratio (x)	1.17	0.73
Interest Coverage (x)	4.14	3.25

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

India ratings has continued to classify the company under ISSUER NOT CO-OPERATING category vide PR dated May 15, 2024, on account of lack of adequate information.

CRISIL ratings has continued to classify the company under ISSUER NOT CO-OPERATING category vide PR dated December 27, 2023, on account of lack of adequate information.

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					November 22, 2023	October 10, 2022	November 18, 2021
1.	Cash Credit	Long Term	45.00	IVR BBB+/Stable	IVR BBB+/Stable	IVR BBB/Stable	IVR BBB-/Stable
2.	WCDL	Short Term	15.00	IVR A2	IVR A2	IVR A3+	IVR A3
3.	Bank Guarantee	Short Term	390.00	IVR A2	IVR A2	IVR A3+	IVR A3
4.	Letter of Credit	Short Term	35.00	IVR A2	IVR A2	IVR A3+	IVR A3

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	45.00	IVR BBB+/ Stable
WCDL	-	-	-	-	15.00	IVR A2
Bank Guarantee	-	-	-	-	390.00	IVR A2
Letter of Credit	-	-	-	-	35.00	IVR A2

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-GR-Engineering-jan25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.