



## Press Release

**G.R. Engineering Private Limited**

**November 22, 2023**

### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. Crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term Bank Facilities	15.00 (Increased from Rs.10.00 crore)	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Revised	Simple
Short Term Bank Facilities	460.00 (Increased from Rs.448.00 crore)	IVR A2 (IVR A Two)	Revised	Simple
Long Term/ Short Term Bank Facilities	10.00 (Decreased from Rs.42.00 crore)	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook) / IVR A2 (IVR A Two)	Revised	Simple
<b>Total</b>	<b>485.00 (Rupees Four Hundred Eighty Five Crore Only)</b>			

**Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The revision in the ratings assigned to the bank loan facilities of G.R. Engineering Private Limited (GREPL) reflects sustained improvement in revenue along with improvement in profitability, along with stable credit profile and capital structure and strong order book. The ratings continue to derive strength from experienced promoters and long track record of operations. The ratings however constrained by risk associated with susceptibility of profitability to volatile input prices, customer concentration risk, presence in a highly competitive industry and tender driven nature of the business and negative cash flows from operations.

### **Key Rating Sensitivities:**

#### **Upward Factors**



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- Substantial & sustained improvement in the company's revenue and/or profitability while maintaining the debt protection parameters.
- Sustenance of the capital structure and improvement in debt protection metrics.
- Improvement in working capital cycle leading to improvement in cash flow from operations.

### **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**

- **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.

- **Sustained improvement in operating performance**

GREPL's revenue has increased by 58% during FY23 to Rs.426crs as compared to FY22 led by stronger execution of order book. GREPL has achieved total revenue of Rs.216.51 crore for 1H1FY24, IVR expects GREPL to achieve revenue of 500 crs by end of FY24 led by strong order book. During FY23, GREPL's EBITDA margins improved to 12.52% from 11.49% in FY22 due to improved realisations and IVR expects EBITDA margins to



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sustained around FY23 levels with improved realisations. PAT margin also improved with improvement in overall EBITDA to 5.33% in FY23 from 4.90% in FY22.

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

The overall gearing ratio as well as TOL/TNW marginally deteriorated however remained comfortable in FY23 as compared to FY22 and at 0.97x and 1.91x respectively (FY22: 0.75x and 1.47x). These ratios are deteriorated due to increase in working capital borrowings. GREPL is incurring capex of Rs.48 crs during FY24 and FY25 funded through mix of debt (85%) and balance through internal accruals to expand its manufacturing facilities at Bharuch. IVR notes that this debt led capex unlikely to impact the debt protection metrics in FY24 and FY25 due to expected improvement in profitability.

- **Healthy order book position**

The company had an unexecuted order book position of Rs.1589.54 crore (3.72x of FY23 revenue) as on September 30, 2023, which is expected to execute in next 15-18 months which provides medium term revenue visibility. Majority of order book consists of site jobs (95%) and balance are from fabrication division.

### 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. 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 Indian Oil Corp. Ltd., ONGC Petro Additional Ltd., TATA Projects Ltd., Megha Engineering Limited, GAIL Limited, Bharat Petroleum Corporation Limited etc. The top 7 customers contributed 97% of the total revenue in FY23, 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.



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- **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.

- **Negative cash flow from operations**

GREPL has negative cash flow from operations in FY23 due to higher unbilled revenue as compared to FY22. IVR notes that GREPL's operations are working capital intensive in nature reflected by net working capital cycle of 59 days at the end of FY23; though improved as compared to FY22 with lower inventory holding period. Ability to generate positive cash flow operations on a sustained basis will be key monitorable.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Policy on Default Recognition](#)

[Criteria of assigning Rating outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

**Liquidity – Adequate**

GREPL's liquidity is expected to remain adequate given the expected cash accruals in the range of Rs. 40.56 crore to Rs. 54.66 crore in the period of FY24 to FY26 as against the repayments of Rs.6.67 crore to Rs.13.71 crore. The free cash and cash equivalents balance stood at Rs.47.71 crore as on March 31, 2023, while average working capital utilisation for the 12 months ended September 2023 remained moderate at ~54% (funded) and ~51% (non funded). Current ratio stood at 1.56x as on March 31, 2023.

**About the Company**



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G.R. Engineering Private Limited (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 Engineers India Ltd., Toyo Engineers etc.

### Financials (Standalone)\*:

(Rs. Crore)		
For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	271.22	426.76
EBITDA	31.18	53.41
PAT	13.40	23.05
Total Debt	113.19	168.15
Tangible Net worth	151.24	174.20
EBITDA Margin (%)	11.49	12.52
PAT Margin (%)	4.90	5.33
Overall Gearing Ratio (times)	0.75	0.97

\*Classification as per Infomerics standards

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

India Ratings has continued the ratings of GREPL in the 'Issuer not cooperating' category vide its press release dated May 15, 2023, due to non-submission of the relevant information.

CRISIL Ratings has continued the ratings of GREPL in the 'Issuer not cooperating' category vide its press release dated October 31, 2022, due to non-submission of the relevant information.





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Any other information: None

Rating History for last three years:

		Current Ratings (Year 2023-24)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
Press Release					October 10, 2022	November 18, 2021	–
1.	Cash Credit	Long Term	15.00	IVR BBB+/Stable	IVR BBB/Stable	IVR BBB-/Stable	–
2.	WCDL	Short Term	23.00	IVR A2	IVR A3+	IVR A3	–
3.	Bank Guarantee	Short Term	382.00	IVR A2	IVR A3+	IVR A3	–
4.	Letter of Credit	Short Term	55.00	IVR A2	IVR A3+	IVR A3	–
5.	Cash Credit / WCDL	Long Term / Short Term	10.00	IVR BBB+/Stable / IVR A2	IVR BBB/Stable / IVR A3+	-	–

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### About Infomerics:

Infomerics Valuation and Rating Private Limited (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).



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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
Cash Credit	–	–	–	15.00	IVR BBB+/ Stable
WCDL	–	–	–	23.00	IVR A2
Bank Guarantee	–	–	–	382.00	IVR A2
Letter of Credit	–	–	–	55.00	IVR A2
Cash Credit / WCDL	–	–	–	10.00	IVR BBB+/ Stable



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
					/ IVR A2

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-GR-Engineering-nov23.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).