



Press Release

Gemini Equipment and Rentals Private Limited

January 10, 2024

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	26.08	IVR BBB- / Negative Outlook [IVR Triple B Minus with Negative Outlook]	Rating reaffirmed and outlook revised	Simple
Short Term Bank Facilities	2.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
Long Term / Short Term Bank Facilities	1.92	IVR BBB- / Negative; IVR A3 [IVR Triple B Minus with Negative Outlook; IVR A Three]	Rating reaffirmed and outlook revised	Simple
Total	30.00			

Details of Facilities are in Annexure:

Detailed Rationale

The revision in rating outlook reflects continued elongated working capital cycle with ~51% of the debtors are in the bucket of 90 and above days. Further, rating affirmed to the bank facilities of Gemini Equipment and Rentals Private Limited (GEAR) continues to derive strength from healthy revenue growth and stable EBITDA margin, continuous support in the form of periodic equity infusion from well-funded promoters, moderate financial risk profile and well-diversified product portfolio and reputed clientele. However, the rating strengths are partially offset by elongated working capital cycle small scale of operations, stiff competition from established domestic players as well as unorganized players inequipment industries and exposure to inherent cyclicity in the capital investments by end-user industries.



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Key Rating Sensitivities:

Upward Factors

- Improvement in collection period leading overall improvement in liquidity.

Downward Factors

- Any further increase in collection period and/or inability to reduce collection period leading to deterioration in liquidity.

List of Key Rating Drivers with Detailed Description:

Key Rating Strengths:

Healthy revenue growth and stable EBIDTA margins:

GEAR's total operating income increased by 18% y-o-y basis to INR 78.97 crores in FY23 mainly due to higher revenue from trading division. Further, EBITDA margin slightly declined to 19.88 % in FY23 (FY22: 20.61%) due to higher employee cost despite higher rentals. During H1FY24, GEAR recorded revenue of INR 51.90 crores with EBITDA margins of 20%. IVR expects GEAR will achieve revenue of close to INR 120 crores with outstanding order book of INR 52 crores as on September 23 and EBITDA margins are likely to remain at the levels of H1FY24 with higher rentals and stable fixed cost.

Continuous support from well-funded promoters:

GEAR is promoted by two private equity investment funds, Berggruen Holdings and Cycladic Capital. The promoters have infused INR 22 crores from FY21 – FY23 (of which INR 15 crores in FY23). As per management, promoters are likely to infuse additional equity of INR 10 crores during Q4FY24. This enduring support from these well-funded private equity promoters ensures a consistent inflow of capital, enhancing GEAR's financial resilience and flexibility.

Moderate financial risk profile:

GEAR's capital structure is comfortable marked by the parameters like overall gearing ratio and ATOL/TNW (adjusted total outside liabilities / tangible net worth) at 0.83x and 1.07x in FY23 respectively (FY22: 0.97x & 1.27x) on account of increase in tangible net worth due to promoter infusion in the form of equity share capital.



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Further, debt protection metrics of GEAR is moderate marked by the parameters like total debt/GCA and ICR (interest coverage ratio) at 5.35x and 2.10x respectively in FY23 (FY22: 5.00x & 2.33x) on account of increase in total debt due to additional borrowings for the purpose of equipment financing and for the working capital requirements. Credit profile is expected to improve from FY24 onwards with steady decline in debt levels and with increase in absolute EBITDA.

Well-diversified product portfolio and reputed clientele

GEAR covers a variety of industry such as mining, metal, glass, automobile, renewable energy, FMCG, paper real estate infrastructure sectors etc. GEAR has variety of product offering needed in the material handling equipment and has a particularly strong presence there. GEAR - caters to large number of reputed clients from various segment namely, Bharat Aluminum Company Limited, Vedanta Limited, Reliance Industries Limited, CMR green technologies limited, Khanna paper mills limited and Castrol India Limited. GEAR's focus on quality has led to repeat orders from many of its key clients however sustained order book shall remain key for the growth of GEAR.

Key Rating Weaknesses:

Elongated working capital cycle

GEAR's primary business involves renting material handling equipment which is inherent to the industry leading to an extended collection period as shown by net operating cycle which stood at 165 days in FY23 (FY22: 157 days) mainly due to high receivable days which stood at 124 days in FY23 (FY22 : 117 days). Receivable days have increased due to higher credit period offered to the customers from trading division as well as higher revenue during the last quarter of FY23. However, as per H1FY24 financials receivable days have improved to 99 days.



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Stiff competition from established domestic players as well as unorganized players in rental equipment industry:

GEAR faces stiff competition from established domestic players in the material handling industry. In the rental equipment segment, it faces intense competition from Godrej & Boyce Mfg. Co. Ltd., Toyota Material Handling India Pvt. Ltd., Leap India Private Limited, HOSCH Equipment (India) Limited, Avadhesh Engineering Equipment's and Services Private Limited.

Exposed to inherent cyclicity in the capital investments by end-user industries.

The performance of GEAR shall remain susceptible to the cyclicity in investments by key end-user industries.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Service Companies](#)

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

[Criteria on Rating Outlook](#)



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Liquidity – Adequate

GEAR has generated gross cash accruals (GCA) of INR 10.09 crore in FY23 as against debt repayment obligations of INR 14.43 crores. The unutilized portion of fund-based bank limit of INR 10 crores stood at ~30% for October 2023. GEAR has maintained a cash & bank balance of INR 6.11 crore in FY23. Further, DSCR and current ratio of GEAR stood at 0.95x and 1.24x as on 31st March 2023. GEAR's liquidity profile is expected to remain adequate over medium term.

About GEAR:

GEAR which was established in 2007, is a material handling equipment rental company. GEAR is promoted by two private equity investment funds, Berggruen Holdings (51%) and Cycladic Capital (41%).

Financials (Standalone):

(Rs. Crore)		
For the year ended / As on*	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	67.00	78.97
EBITDA	13.81	15.70
PAT	3.20	2.99
Total Debt	46.01	54.02
Adjusted Tangible Net worth	47.46	65.12
EBITDA Margin (%)	20.61	19.88
PAT Margin (%)	4.65	3.63
Overall Gearing Ratio (times)	0.97	0.83

*Classification as per Infomerics standard

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating – Jan 10, 2024	Date(s) & Rating(s) assigned. in 2022-23-18 th October 2022	Date(s) & Rating(s) assigned. in 2021-22	Date(s) & Rating(s) assigned. in 2020-21
1.	Cash Credit	Long Term	10.00	IVR BBB- / Negative Outlook	IVR BBB- / Stable Outlook	–	–
2.	Term Loan	Long Term	16.08	IVR BBB- / Negative Outlook	IVR BBB- / Stable Outlook	–	–
3.	Bank Guarantee	Short Term	2.00	IVR A3	IVR A3	–	–
4.	Proposed	Long Term/ Short Term	1.92	IVR BBB- / Negative Outlook. IVR A3	IVR BBB- / Stable Outlook. 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 the best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates a 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: Details of Facilities

Name of Facilities	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned Outlook
Cash Credit	—	—	—	10.00	IVR BBB- / Negative Outlook
Term Loan	—	—	—	16.08	IVR BBB- / Negative Outlook
Bank Guarantee	—	—	—	2.00	IVR A3
Proposed	—	—	—	1.92	IVR BBB- / Negative Outlook: IVR A3

Annexure 2: List of companies considered for consolidated analysis: None

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Gemini-jan24.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