



Press Release

Tulip Compression Private Limited

April 29, 2024

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – WCDL	3.00	IVR BBB; Stable (IVR Triple B with Stable outlook)	Reaffirmed	Simple
Long Term Bank Facilities – WCDL	2.00 *	IVR BBB; Stable (IVR Triple B with Stable outlook)	Assigned	Simple
Long Term Bank Facilities – WCTL	20.00 *	IVR BBB; Stable (IVR Triple B with Stable outlook)	Assigned	Simple
Long Term Bank Facilities – Cash Credit	15.00 (Reduced from Rs.20.00 crore)	IVR BBB; Stable (IVR Triple B with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities – Bank Guarantee/Letter of Credit	47.00	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	87.00 (Rupees Eighty- seven crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment and reaffirmation of ratings to the bank facilities of Tulip Compression Private Limited (TCPL) continues to derive comfort from its experienced promoters and strong parent support by virtue of being a subsidiary of Gainwell Commosales Private Limited (GCPL). GCPL is the flagship company of Gainwell Group headquartered in Kolkata and has an established presence of several decades in the construction, energy & transportation and mining sector. GCPL is an exclusive dealer of Caterpillar Inc.'s (CAT) products. Besides CAT, GCPL also has dealership of other large infrastructure players like Phillips Construction LLC and RPM Global Holdings Limited. The ratings factors in common management team of GCPL and TCPL and expected need-based funding support from GCPL towards the operations of TCPL as and when required. Further, the ratings also positively note the improvement in financial performance and debt coverage indicators of the company in FY2024 (Provisional). Also, TCPL had an unexecuted outstanding order book position of Rs.215.34 crore as on March 31, 2024, from its reputed clientele, which provides revenue visibility in the near to medium term. However, these rating strengths are constrained by TCPL's moderate capital



Press Release

structure and net worth base, exposure to customer concentration risk and dependence on the fortunes of the end user industry.

Key Rating Sensitivities:

Upward factors

- Improvement in scale of operations resulting in improvement in top line and overall profitability of the company on a sustained basis.
- Improvement in capital structure and debt coverage indicators with overall gearing below 1.5x and ICR above 3.50x

Downward factors

- Moderation in scale of operations and/or moderation in profitability
- Moderation in the capital structure with overall gearing to over 1.5x with moderation in the debt coverage indicators by moderation in interest coverage ratio to below 1.5x.
- Further elongation in operating cycle impacting the liquidity position of the company
- Moderation in the credit profile of the parent company

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Resourceful promoters with long standing business experience**

TCPL is a part of Kolkata based Gainwell group and a subsidiary of GCPL which holds 60% stake in TCPL. GCPL, the flagship company of the group has a strong financial profile and TCPL is expected to receive required support from GCPL in terms of product support, management support and need-based funding support. Also, the operations of both TCPL and GCPL are looked after by a common management team. All the directors have adequate industry experience and is actively involved in the overall operations of the company. The directors are supported by a team of experienced and qualified management personnel.

- **Improvement in financial performance and debt coverage indicators in FY2024 (Provisional)**

Total operating income (TOI) increased at a CAGR of ~24% during FY2021-FY2024 with a y-o-y growth of ~8% from Rs.123.22 crore in FY2023 to Rs.133.41 crore in FY2024 (Provisional) on the back of consistent demand for gas compression kits consequent to improvement in industry scenario. Further, there is increase in income from operation and maintenance service in FY2024 associated to increase in count of operational compressor



Press Release

packages and start of comprehensive maintenance cycle (CMC) after completion of initial annual maintenance cycle (AMC) period of 3-5 years. TCPL posted an operating margin of 8.81% in FY2024 (Provisional) as against an operating margin of 3.52% in FY2023 driven by improved scale of operations resulting in better absorption of fixed overheads. Moreover, the improvement in operating margin is also attributable to the increase in O&M income where margins are relatively higher. With increase in operating profit, TCPL reported a PAT of Rs.5.29 crore in FY2024 (Provisional) as against a PAT of Rs.0.89 crore in FY2023. Gross cash accruals also increased from Rs.1.55 crore in FY2023 to Rs.6.99 crore in FY2024 (Prov.). With increase in overall profits, ICR improved from 1.51x in FY2023 to 2.83x in FY2024 (Provisional). Total debt/EBITDA and Total debt/GCA also improved and stood at 3.41x and 5.73x respectively as on March 31, 2024 (Provisional) as against 4.73x and 13.23x as on March 31, 2023. The company's ability to sustain the growth in its top line while maintaining its operating margins will be a key rating monitorable going forward.

- **Healthy order book position reflecting short term revenue visibility**

TCPL had an unexecuted outstanding order book position of Rs.215.34 crore as on March 31, 2024, comprising of order for sale of kits of Rs.96.20 crore and orders for O&M of Rs.119.14 crore. While the package order will be executed within the next 5-6 months, the O&M orders will be apportioned for next 2.5-3.5 years as these are long term contracts. Though the current order book position provides revenue visibility in the near term, yet the same is subject to company's ability to timely complete and execute the same.

Key Rating Weaknesses

- **Moderate capital structure and net worth base**

TCPL had a moderate net worth base of Rs.20.23 crore as on March 31, 2024 (Provisional), owing to the company's relatively nascent stage of operations. Overall gearing remained high and moderated from 1.51x as on March 31, 2023, to 1.98x as on March 31, 2024 (Provisional) on account of increase in working capital borrowings. Also, the company had availed long-term working capital loan of Rs.20.00 crore in December 2023 which added to the moderation in overall gearing as on March 31, 2024. Total indebtedness as reflected by TOL/TNW continued to remain high at 3.02x as on March 31, 2024 (Provisional).

- **Exposure to customer concentration risk**



Press Release

TCPL supplies gas compression kits majorly to government companies like HPCL, GAIL Gas Limited, Indraprastha Gas Limited, etc. The orders are procured through the bidding process. The top five customers contribute around ~90% of the total revenue of the company in 9MFY2024, thereby exposing the company to the risk of customer concentration. However, since most of the customers are government players, the counter party credit risk is low.

- **Dependence on the fortunes of the end user industry**

The end user for TCPL is the oil and gas industry and TCPL is dependent on the fortunes of the oil and gas industry. Any economic downturn in the end user industry may also have an adverse impact on the credit profile of TCPL.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Parent & group support](#)

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

[Criteria of assigning rating outlook](#)

[Policy of default recognition](#)

[Criteria on complexity](#)

Liquidity: Adequate

The liquidity profile of the company is adequate marked by sufficient cash accruals vis-à-vis its debt repayment obligations in the near to medium term. The average utilisation of working capital limits stood comfortable at ~77% for the last twelve months ended March 2024 providing adequate liquidity cushion. The current ratio also stood comfortable at 1.73x as on March 31, 2024 (Provisional). Further, by virtue of being a subsidiary of GCPL which is a flagship company of the Gainwell group, TCPL is expected to receive need-based funding support from its parent company as and when required.

About the Company

Incorporated in March 2017, TCPL is part of the Gainwell Group. The flagship company of the group Gainwell Commosales Pvt Ltd holds 60% shareholding of TCPL as on March 31, 2024. TCPL packages gas compression kits for installation in places where natural gas is used; for e.g., in CNG stations. In addition, TCPL provides operations and maintenance service for these equipment's through its useful life. Based on the specifications of the contract, TCPL procures necessary equipment's and assembles the entire gas compression kit.



Press Release

Financials of TCPL (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	75.56	123.22
EBITDA	-0.90	4.34
PAT	-2.73	0.89
Total Debt	20.15	20.52
Tangible Net worth	12.40	13.58
EBITDA Margin (%)	-1.19	3.52
PAT Margin (%)	-3.60	0.72
Overall Gearing Ratio (x)	1.62	1.51
Interest Coverage Ratio (x)	-0.42	1.51

*As per Infomerics standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding	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
					May 30, 2023	-	-
1.	WCDL	Long Term	3.00 *	IVR BBB; Stable	IVR BBB; Stable	-	-
2.	WCDL	Long Term	2.00 *	IVR BBB; Stable	-	-	-
3.	WCTL	Long Term	20.00	IVR BBB; Stable	-	-	-
4.	Cash Credit	Long Term	15.00 (Reduced from Rs.20.00 crore)	IVR BBB; Stable	IVR BBB; Stable	-	-
5.	Letter of Credit/Bank Guarantee	Short Term	47.00	IVR A3+	IVR A3+	-	-

*Cash credit limit is a sub-limit to the WCDL facility

Name and Contact Details of the Rating Analyst:

Name: Harshita Gupta Tel: (033) 46022266 Email: hdidwania@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
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About Infomerics Ratings:



Press Release

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.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – WCDL	-	-	-	5.00 * (Enhanced from Rs.3.00 crore)	IVR BBB; Stable
Long Term Fund Based Limits – WCTL	-	-	March, 2028	20.00	IVR BBB; Stable
Long Term Fund Based Limits – Cash Credit	-	-	-	15.00 (Reduced from Rs.20.00 crore)	IVR BBB; Stable
Short Term Non-Fund Based Limited – Letter of Credit/Bank Guarantee	-	-	-	47.00	IVR A3+

*Cash credit limit is a sub-limit to the WCDL facility



Press Release

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-tulip-apr24.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

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.

