



Press Release

Tulip Compression Private Limited

May 30, 2023

Ratings

| Facility | Amount (Rs. Crore) | Ratings | Rating Action | Complexity Indicator |
|--------------------------|---|--|------------------|--|
| Long-Term Bank Facility | 23.00 | IVR BBB; Stable (IVR Triple B with Stable Outlook) | Assigned | Simple |
| Short-Term Bank Facility | 47.00 | IVR A3+ (IVR A Three plus) | Assigned | Simple |
| Total | 70.00 (INR Seventy crore only) | | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Tulip Compression Private Limited (TCPL) derives 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 over five years in the construction, energy & transportation and mining sector. GCPL is an exclusive dealer of Caterpillar Inc.'s (CAT) products. Besides CAT, the group also has dealership of other large infrastructure players like Phillips Construction LLC and RPM Global Holdings Limited. The rating 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 of the company in FY2023 which is expected to continue going forward with increase in capacity utilisation and O&M revenue in the total revenue composition. Also, TCPL had an unexecuted outstanding order book position of Rs.152.07 crore as on April 30, 2023 from its reputed clientele, which provides revenue visibility in the near to medium term. Besides, TCPL also has a comfortable capital structure marked by no long-term debt in its debt profile. However, these rating strengths are constrained by TCPL's modest scale of operations with thin profitability and exposure to customer concentration risk.

Key Rating Sensitivities:

Upward factors



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- 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 2.00x

Downward factors

- Moderation in the credit profile of the holding company
- Moderation in scale of operations and/or moderation in profitability impacting gross cash accruals
- 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

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 is an exclusive dealer of Caterpillar Inc.'s (CAT) construction and earthmoving equipment, mining equipment, the assembling and dealership business of diesel generator sets powered by CAT's engines, mining services, the manufacturing of mining equipment and renting of equipment in northern and eastern India, Nepal and Bhutan. Besides CAT, the group also has dealership of other large infrastructure players like Phillips Construction LLC and RPM Global Holdings Limited. GCPL has an established presence of over five years in the construction, energy & transportation and mining sector. GCPL 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. Mr. Sunil Chaturvedi is a common director in GCPL and TCPL. Mr. Chaturvedi is a Chartered Accountant and retired IAS by qualification with experience of over three decades in the sector. He is actively involved in the overall operations of the company. He is supported by a team of other qualified directors and experienced personnel.

- **Improvement in financial performance in FY2023**



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TOI increased at a CAGR of ~34% during FY2021-FY2023 with a y-o-y growth of ~66% from Rs.75.56 crore in FY2022 to Rs.125.48 crore in FY2023 (Provisional) on the back of increase in demand for gas compression kits consequent to improvement in industry scenario post COVID 19 pandemic. Further, the increase in income from operation and maintenance service in FY2023 which starts after 3 years from the date of installation of gas compression kits added to the increase in top line in FY2023 vis-à-vis the previous fiscal years. TCPL posted an operating margin of 3.49% in FY2023 (Provisional) as against an operating loss of 1.19% in FY2022 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. TCPL's profitability was impacted in FY2022 majorly due to the impact of COVID 19 pandemic. With increase in operating profit, TCPL reported a PAT of Rs.0.83 crore in FY2023 (Provisional) as against a loss of Rs.2.73 crore in FY2022. The company's ability to sustain the growth in its top line without compromise in margins will be a key rating monitorable going forward.

- **Comfortable capital structure**

The capital structure of the company remained comfortable marked by no long-term debt in its debt profile. However, total indebtedness of the company marked by TOL/TNW remained moderate at 3.30x as on March 31, 2023.

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

TCPL had an unexecuted outstanding order book position of Rs.152.07 crore as on April 30, 2023, comprising of order for sale of kits of Rs.41.86 crore and orders for O&M of Rs.110.21 crore. While the package order will be executed within the next 5-6 months, the O&M orders will be apportioned for next 2-2.5 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

- **Modest scale of operations with thin profitability**

Despite the increase in top line in FY2023 fiscal year, the scale of operations continues to remain modest in the past three fiscal years due to subdued order flow owing to the fact that TCPL is engaged in a capital goods industry which takes time to stabilise and earn profits.



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Though TCPL earned an operating margin of 3.49% in FY2023 (Provisional) as against an operating loss 1.19% in FY2022, it continues to remain thin. PAT margin was also low at 0.66% in FY2023 (Provisional) due to high interest cost attributable to its leveraged capital structure. The company's ability to scale up its operations in order to increase its top line and generate healthy profitability will be important for its credit profile.

- **Exposure to customer concentration risk**

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 ~81% of the total revenue of the company in FY2023, 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. TCPL is trying to add more private players in its customer portfolio in the upcoming fiscal year, however, the same has to be looked at in the medium term.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Parent & group support](#)

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

[Criteria of assigning rating outlook](#)

Liquidity: Adequate

The liquidity profile of the company is adequate marked by sufficient cash accruals vis-à-vis no debt repayment obligations in the near to medium term. The average utilisation of working capital limits stood comfortable at ~64% for the last twelve months ended March 2023 providing adequate liquidity cushion. However, the average of month end utilisation of non-fund-based limits stood high at ~91% for the last twelve months ended March 2023. Further, by virtue of being a subsidiary of GCPL which is a flagship company of the Gainwell group, TCPL has access to GCPL's funds in case of any exigency.

About the Company

Incorporated in March 2017, Tulip Compression Pvt Ltd (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, 2022.



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TCPL packages gas compression kits for installation in places where natural gas is used; for e.g., in CNG pumps. 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.

Financials of TCPL (Standalone):

| For the year ended* / As On | (Rs. crore) | |
|-----------------------------|-----------------------|---------------------------|
| | 31-03-2022 Audited | 31-03-2023 Provisional |
| Total Operating Income | 75.56 | 125.48 |
| EBITDA | -0.90 | 4.38 |
| PAT | -2.73 | 0.83 |
| Total Debt | 20.15 | 20.59 |
| Tangible Net worth | 12.40 | 13.65 |
| EBITDA Margin (%) | -1.19 | 3.49 |
| PAT Margin (%) | -3.60 | 0.66 |
| 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:

| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2023-24) | | | (Rs. Crore) | | |
|---------|---------------------------------|-------------------------------|--|-----------------|---|---|---|
| | | Type | Amount outstanding | 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 |
| 1. | WCDL | Long Term | 3.00 * | IVR BBB; Stable | - | - | - |
| 2. | Cash Credit | Long Term | 20.00 (including proposed limit of Rs.5.00 crore) | IVR BBB; Stable | - | - | - |
| 3. | Letter of Credit/Bank Guarantee | Short Term | 47.00 (Including proposed limit of Rs.8.00 crore) | IVR A3+ | - | - | - |

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

Name and Contact Details of the Rating Analyst:

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|---|--|
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About Infomerics Ratings:

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 | - | - | - | 3.00 * | IVR BBB; Stable |
| Long Term Fund Based Limits – Cash Credit | - | - | - | 20.00 (Including proposed limit of Rs.5.00 crore) | IVR BBB; Stable |
| Short Term Non-Fund Based Limited – Letter of Credit/Bank Guarantee | - | - | - | 47.00 | IVR A3+ |



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|--|--|--|--|---|--|
| | | | | (Including proposed limit of Rs.8.00 crore) | |
|--|--|--|--|---|--|

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

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-TCPL-may23.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.

