



## Press Release

### G.R. Engineering Private Limited [GREPL]

November 18, 2021

#### Rating

| Sr. No. | Instrument/ Facility  | Amount (INR Crore) | Rating Assigned  | Rating Action |
|---------|---|--------------------|--|---------------|
| 1       | <u>Long Term Fund based facilities</u><br>Cash Credit                           | 10.00              | IVR BBB-/ Stable Outlook<br>[IVR Triple B Minus with Stable Outlook] | Assigned      |
| 2       | <u>Short Term Fund based facilities</u><br>Working Capital Demand Loan          | 23.00              | IVR A3<br>[IVR A Three]  | Assigned      |
| 3       | <u>Short Term Fund based facilities</u><br>Proposed Fund based facility         | 27.00              | IVR A3<br>[IVR A Three]  | Assigned      |
| 4       | <u>Short Term Non-Fund based facilities</u><br>Letter of Credit                 | 55.00              | IVR A3<br>[IVR A Three]  | Assigned      |
| 5       | <u>Short Term Non-Fund based facilities</u><br>Bank Guarantee                   | 140.00             | IVR A3<br>[IVR A Three]  | Assigned      |
| 6       | <u>Short Term Non-Fund based facilities</u><br>Proposed Non-Fund based facility | 105.00             | IVR A3<br>[IVR A Three]  | Assigned      |
|         | <b>Total</b>  | <b>360.00</b>      |  |               |

**Details of facilities are in Annexure 1**

#### Detailed Rationale

The rating assigned to the bank facilities of G.R. Engineering Private Limited (GREPL) derives strength from long track record of operations, experienced management, certifications, improved scale of operations, comfortable and improved gearing ratio and good order book. The rating is however constrained by customer concentration risk albeit reputed clientele and competition.



## Press Release

### **Key Rating Sensitivities:**

#### **Upward Factors:**

- Substantial & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics.

#### **Downward Factors:**

- Any further decline in revenue and/or EBITDA margin leading to decline in debt protection metrics.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### ***Long track record of operations***

G.R. Engineering Private Limited (GREPL), the flagship company of the G.R. group, was incorporated in 1966 by late Mr. D. P. Hariani. The company started its operations by setting up a fabrication unit at Andheri (Mumbai) under the name G.R. Engineering Works Ltd. Subsequently, the company shifted its fabrication base to Tarapur and 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 Technimont, Thyssen Krupp, Germany (earlier Udhe), Bechtel UK, PDIL, India

##### ***Experienced Management***

The company was promoted by late Mr. D.P. Hariani who had long standing experience in the engineering industry. The promoters & directors have extensive experience in their respective fields. 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. Mr. S. S. Shirolkar has long standing experience in Finance, Accounts, Banking and General Management having worked in various organizations and industry covering public, private sectors and multinationals for more than four decades.



## Press Release

### ***Certifications***

The Company is an ISO 9001 – 2015 QASME 'U', 'U2' and K Stamp Holder Company. They have Certificate of Authorization from the National Board of Boiler & Pressure Vessel Inspectors and ASME. They also have Certificate of Schedule & Approval from Lloyd's Register.

### ***Improved scale of operations***

Over a period of last 4 years, the Company's total income from operations shows an increasing trend with revenue of INR 110 Crore in FY18, INR 175 Crore in FY19, INR 300 Crore in FY20 (recording a rise of 72%). However, it declined by 28% in FY21 to INR 214 Crore, majorly owing to a reduction in contract revenues and the impact of Covid-19 pandemic and resultant lockdown in the country as well as globally. However, the EBITDA margin remained at 9.84% in FY20 and 8.39% in FY21.

### ***Comfortable and improved Gearing ratio***

The Overall Gearing ratio of the Company is comfortable and improved from 1.13x as at FY20 to 0.95x as at FY21. The Total outside liabilities to Tangible Net Worth of the Company also improved from 2.36x as at FY20 to 1.20x as at FY21.

### ***Good Order Book***

As of October-2021, the Company has orders worth about INR 876.74 Crore to be executed. In addition to this they will have new orders. Besides there are many new mega projects coming up in the gas and oil sector where they will participate in tenders. There are enquiries from the technical consultants also where they have chances of probably getting orders directly based on their past performance and accreditations.

### **Key Rating Weaknesses**

#### **Reputed Clientele although customer concentration risk**

GREPL deals with customers like BPCL, HPCL, IOCL, GAIL, HMEL, ONGC, IPCL, GNFC, GSFC, HALDIA PETROCHEMICALS, S. M. Glycols, Reliance Petrochemicals etc. They are



## Press Release

mostly reputed public sector companies, with whom the company has long business relationship. However, the top 10 customers in FY21 contributed 96.43% of the total revenue, indicating high customer concentration risk for the Company.

### **Competition**

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 Company's scalability, pricing and profitability. However, the same is mitigated to a certain extent owing to long-standing business relationship with market leaders in related industries.

### **Analytical Approach:** Standalone

### **Applicable Criteria:**

- Rating methodology for manufacturing companies
- Financial ratios and Interpretation (Non-Financial Sector)

### **Liquidity: Adequate**

The Company has been earning a moderate level of GCA for the last few years and the same is expected to increase further with increase in scale of operations. The company maintains moderate cash and bank balance to meet its liquidity requirements. The average utilization of working capital limits remained at 50-55% during the 12 months ended Sep 30, 2021. The cash accruals are adequate to service its debt obligations. Overall the liquidity position is Adequate.



## Press Release

### About the company

G.R. Engineering Private Limited (GREPL), the flagship company of the G.R. group, was incorporated in 1966 by late Mr. D. P. Hariani. The company started its operations by setting up a fabrication unit at Andheri (Mumbai) under the name G.R. Engineering Works Limited. Subsequently, the company shifted its fabrication base to Tarapur and 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 Technimont, Thyssen Krupp, Germany (earlier Udhe), Bechtel UK, PDIL, India.

### **Financials [GREPL – Standalone]**

| For the year ended/ As on* | INR in Crore            |                         |
|----------------------------|-------------------------|-------------------------|
|                            | 31-03-2020<br>(Audited) | 31-03-2021<br>(Audited) |
| Total Operating Income     | 300.00                  | 214.30                  |
| EBITDA                     | 29.51                   | 17.98                   |
| PAT                        | -6.45                   | 2.45                    |
| Total Debt                 | 144.08                  | 126.50                  |
| Tangible Net Worth         | 50.49                   | 80.04                   |
| EBITDA margin (%)          | 9.84                    | 8.39                    |
| PAT margin (%)             | -2.15                   | 1.13                    |
| Overall Gearing Ratio (x)  | 1.13                    | 0.95                    |

\* Classification as per Infomerics' standards

**Details of Non Co-operation with any other CRA:** India Ratings had migrated the rating assigned to G.R. Engineering Private Limited to Issuer not co-operating category vide Press Release dated April 26, 2021.

CRISIL had also moved the rating to Issuer not co-operating category vide Press Release dated August 23, 2021.



## Press Release

**Any other information: N.A.**

**Rating History for last three years:**

| Name of Instrument/<br>Facility      | Current Rating (Year: 2021-22)   |                    |                          | Rating History for the past 3 years |                            |                            |
|--------------------------------------|----------------------------------|--------------------|--------------------------|-------------------------------------|----------------------------|----------------------------|
|                                      | Type                             | Amount (INR Crore) | Rating                   | Rating assigned in 2020-21          | Rating assigned in 2019-20 | Rating assigned in 2018-19 |
| Long Term Fund based facilities      | Cash Credit                      | 10.00              | IVR BBB-/ Stable outlook | --                                  | --                         | --                         |
| Short Term Fund based facilities     | Working Capital Demand Loan      | 23.00              | IVR A3                   | --                                  | --                         | --                         |
| Short Term Fund based facilities     | Proposed Fund based facility     | 27.00              | IVR A3                   | --                                  | --                         | --                         |
| Short Term Non-Fund based facilities | Letter of Credit                 | 55.00              | IVR A3                   | --                                  | --                         | --                         |
| Short Term Non-Fund based facilities | Bank Guarantee                   | 140.00             | IVR A3                   | --                                  | --                         | --                         |
| Short Term Non-Fund based facilities | Proposed Non-Fund based facility | 105.00             | IVR A3                   | --                                  | --                         | --                         |

**Name and Contact Details of the Analysts:**

|  |   |
|--|---|
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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's



## Press Release

long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

| Sr. No. | Name of Facility  | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (INR Crore) | Rating Assigned/ Outlook |
|---------|---|------------------|------------------|---------------|------------------------------|--------------------------|
| 1       | <u>Long Term Fund based facilities</u><br>Cash Credit                           | --               | --               | --            | 10.00                        | IVR BBB-/ Stable outlook |
| 2       | <u>Short Term Fund based facilities</u><br>Working Capital Demand Loan          | --               | --               | --            | 23.00                        | IVR A3                   |
| 3       | <u>Short Term Fund based facilities</u><br>Proposed Fund based facility         | --               | --               | --            | 27.00                        | IVR A3                   |
| 4       | <u>Short Term Non-Fund based facilities</u><br>Letter of Credit                 | --               | --               | --            | 55.00                        | IVR A3                   |
| 5       | <u>Short Term Non-Fund based facilities</u><br>Bank Guarantee                   | --               | --               | --            | 140.00                       | IVR A3                   |
| 6       | <u>Short Term Non-Fund based facilities</u><br>Proposed Non-Fund based facility | --               | --               | --            | 105.00                       | IVR A3                   |





## Press Release

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/GR-engineering-lenders-nov21.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable.

**Annexure 5: Complexity level of the rated Instruments/Facilities**

| Sr. No. | Instrument                  | Complexity Indicator |
|---------|-----------------------------|----------------------|
| 1       | Cash Credit                 | Simple               |
| 2       | Working Capital Demand Loan | Simple               |
| 3       | Letter of Credit            | Simple               |
| 4       | Bank Guarantee              | Simple               |

**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).