Geecy Engineering Private limited

March 03, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	9.00	CARE BBB; Stable / CARE A3+	Reaffirmed
Short-term bank facilities	21.00	CARE A3+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings to the long-term and short-term bank facilities of Geecy Engineering Private Limited (GEPL) continues to derive strength from the experienced promoters with long track record of operations, comfortable liquidity position, reputed although concentrated client base, and comfortable capital structure and strong debt coverage indicators.
However, ratings continue to be tempered by decline in performance marked by scale and profitability, moderate order book position, working capital intensive operations, profit margins susceptible due to raw material price volatility, foreign exchange fluctuation risk, and presence in highly competitive and fragmented nature of industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operations with total operating income (TOI) exceeding ₹100 crore on a sustained basis.
- Improvement in collection period to below 75 days on a sustained basis.

Negative factors

- Deterioration in profit margins with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins to reach below 10% and profit after tax (PAT) margin below 5% on a sustained basis.
- Deterioration in the capital structure with the overall gearing (including advance from customers) exceeding unity on a sustained basis.
- Deterioration in the debt coverage indicators with interest coverage ratio reaching below 3x and total debt to gross cash accruals (TD/GCA) exceeding 2x on a sustained basis.
- Any major debt-funded capex leading to depletion in its liquidity position and increase in its fund-based working capital utilisation level exceeding 70% on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the company will continue to benefit from its long track record of operations and its long association with reputed customer and healthy liquidity profile.

Detailed description of key rating drivers:

Key strengths

Comfortable capital structure and strong debt coverage indicators

The capital structure of the company continues to remain comfortable and improved y-o-y marked by improved overall gearing (including advance from customers) of 0.15x as on March 31, 2024 (against 0.30x as on March 31, 2023). The company's reliance on external debt continues to remain low owing to efficient working capital management and further company continue to have no term debt.
Consequent to lower debt levels, the debt coverage indicators (GCA) improved and continued to remain comfortable at 1.45x as on March 31, 2024 (against 3.92x as on March 31, 2023). Debt coverage indicators, interest coverage, improved to 11.34x in FY24 (PY: 9.74x) on the back of reduced interest cost of ₹0.32 crore in FY24 (PY: ₹0.79 crore), indicating lower working capital utilisation in FY24.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Experienced promoters and long track record of operations
GEPL has an established track record of over two decades of operations in the engineering industry. The day-to-day operations are looked after by a team of professional consisting of Sree Kumar G Pillai (Director), Shailesh Thakkar (Head of Designer Engineering), and Jiignesh Kothari (Vice President) who possess over two decades of experience in same line of business looking after the production, engineering, and finance functions, respectively. The company is expected to continue to benefit from long-standing experience of its top management.

Reputed clientele although concentrated
GEPL continues to have the relationship with reputed customers, including Reliance Industries Limited (rated 'CARE AAA; Stable/ CARE A1+'), Linde Engineering India Private Limited, Gujarat Alkalies and Chemicals Limited (rated 'CARE AA; Stable/ CARE A1+'), Nuclear Power Corporation of India Limited (rated 'CARE AAA; Stable/ CARE A1+') and others. 84.47% of TOI in FY24 (against 82.18% in FY23) is generated from the top five customers, wherein, single customer, Linde Engineering (Germany based) contributed the highest at 32.03% of total revenue in FY24. Reliance Industries Limited continued to remain one of the major customers with revenue concentration in the range of 20-25% in the last three years ending FY24. The customer concentration risk is mitigated to an extent on the back of healthy credit profile of these reputed clients and the company's ability to secure repeat orders. Moreover, the company is dealing with most of the aforesaid customers for over two decades.

Key weaknesses

Working capital intensive nature of operations
GEPL's working capital cycle remains elongated at 258 days as on March 31, 2024 (against 244 days as on March 31, 2023) considering increased collection days from 78 days in FY23 to 102 in FY24. The inventory holding period continues to remain high although improved at 167 days as on March 31, 2024 (against 181 days in FY23) considering no finished goods pending dispatch lying with the company as at the year-end.
On the other hand, the creditors' period was stable at 12 days as on March 31, 2024, against 15 days as on March 31, 2023, due to continuation of prompt payment policies adopted by the company. However, the company primarily meets its working capital requirements through own funds and customer advance. Hence, on an average, utilisation of the working capital limits for last nine months ending January 2025 has remained minimal.

Moderation in TOI and PBILDT margin in FY24
GEPL's FY24 performance showed a decline in TOI, which fell by 12.76% to ₹49.28 crore (from ₹56.49 crore in FY23), mainly due to sales booking shifting to next financial year, as the customer deferred the delivery. PBILDT margin also moderated to 7.45% from 13.67% in FY23, driven by reduced other income in the form of interest on advances and higher raw material costs which accounted for 56% of expenses (up from 51% in FY23). However, the PAT margin has significantly increased to 17.90% in FY24 against 9.94% in FY23 considering income from gain on sale of investments (equity shares and mutual funds). Subsequently, the GCA improved to ₹9.25 crore in FY24 (against ₹6.24 crore in FY23).
GEPL's unexecuted orderbook as on December 31, 2024, stands at ₹57.04 crore against ₹80.97 crore as on November 30, 2023, indicating short-term revenue visibility with an order book to sales (FY24) ratio of 1.16x. The overall scale of operations continues to remain moderate. The tangible net worth (TNW) increased by 10.88% and remained comfortable at ₹89.96 crore as on March 31, 2024 (against ₹81.13 crore as on March 31, 2023) due to healthy accretion of profits in FY24.

Presence in highly fragmented industry leading to stiff competition
GEPL operates in a highly fragmented industry marked by the presence of a large number of players in the unorganised sector, which accounts for high share of the total domestic turnover. The industry is characterised by low entry barriers due to low technological inputs and easy availability of standardised machinery for the production. Since the industry is highly competitive, it has low bargaining power, resulting in the company to follow a competitive price strategy. The company deals with reputed customers and hence it has to undergo the bidding process through participating in the tenders which further intensifies the already prevailing competition in the market.

Profit margins susceptible to volatility in raw material prices and foreign exchange fluctuation risk
GEPL's profit margins remain exposed to input price volatility in the absence of long-term contract with suppliers and especially on the back of its moderately high inventory holding, and hence, it is exposed to the raw material price fluctuation risk. Moreover, GEPL procures raw materials in batches, which further expose the company to price volatility. Due to the time lag between the bagging up of order, procurement of raw material and execution, GEPL is not able to pass on the rise in raw material prices due to absence of price escalation clause. Accordingly, the company's profit margins are susceptible to fluctuation in raw material prices. GEPL is also exposed to foreign exchange fluctuation risk; given imports constitute of 10.84% in FY24 (against 3.50% in FY23) of its total raw material cost from U.S., and Saudi Arabia among others. As against the same, in FY24, ~52.47% (against 47.53% in FY23) of revenue was generated through exports from Germany, US, Nigeria, and U.A.E, among others, which partially mitigates the foreign exchange risk to an extent.
Moreover, the GEPL does not hedge its foreign transections. Hence, the foreign currency risk continues to exist due to timing differences in sales, purchases, and payments. Accordingly, its profitability remained exposed to forex risk. In FY24, the company has earned forex gain of ₹0.08 crore (against forex gain of ₹0.02 crore in FY23).

Liquidity: Adequate

Liquidity position of the company remained adequate marked by healthy GCA of ₹9.25 crore in FY24 against nil repayment obligations. In addition to free cash and bank to the tune of ₹9.09 crore as on March 31, 2024 (against ₹0.05 crore as on March 31, 2023), the company had investment in equity shares of ₹11.79 crore and ₹0.74 crore in mutual funds as on March 31, 2024. With a comfortable gearing (including customer advances) of 0.15x as on March 31, 2024, the company has sufficient gearing headroom, to raise additional debt for its capex if any. Its unutilised bank lines are adequate to meet its incremental working capital needs over the next one year with company having minimal utilisation for last nine months month ending January 2025. Further as articulated by the management, the company has an investment in mutual fund of ₹1 crore and equity share investment of ~₹10 crore as on February 20, 2025.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Other industrial products

GEPL was incorporated in 1991 by Late Manoj Ruparel and is currently being managed by Sreekumar G Pillai, and Darshana Kothari. The company is engaged in manufacturing and fabricating critical heavy process equipment, pressure vessels, heat exchangers, columns & towers, reactors, reaction vessels and others, which finds application majorly in the oil refineries, petrochemical, fertilizer, food processing, and power industry. GEPL's manufacturing facilities is in Navi Mumbai and has an installed capacity to manufacture ~1200 MTPA of heat exchangers and pressure vessels.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	56.49	49.28
PBILDT	7.72	3.67
PAT	5.61	8.82
Overall gearing (times)	0.30	0.15
Interest coverage (times)	9.74	11.34

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: NA

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Facility	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Cash Credit		-	-	-	9.00	CARE BBB; Stable / CARE A3+
Non-fund-based - ST-Bank Guarantee		-	-	-	21.00	CARE A3+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Cash Credit	LT/ST	9.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (04-Jan-24)	1)CARE BBB; Stable / CARE A3+ (03-Jan-23)	1)CARE BBB; Stable / CARE A3+ (06-Dec-21)
2	Non-fund-based - ST-Bank Guarantee	ST	21.00	CARE A3+	-	1)CARE A3+ (04-Jan-24)	1)CARE A3+ (03-Jan-23)	1)CARE A3+ (06-Dec-21)

ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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