

## Gerb Vibration Control Systems Pvt Ltd

October 31, 2018

### Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Bank Guarantee	14.00	14.00	[ICRA]A4+ reaffirmed
<b>Total</b>	<b>14.00</b>	<b>14.00</b>	

### Rating action

ICRA has reaffirmed the short-term rating assigned to Rs 14.00 crore bank guarantee limits of Gerb Vibration Control Systems Pvt Ltd (GVCSPL) at [ICRA]A4+ (pronounced as ICRA A four plus).

### Rationale

The rating reaffirmation favourably factors in increase in revenues by 47% in FY2018 to Rs 30.65 crore from Rs 20.92 crore in FY2017 owing to increased order execution for BHEL and L&T Ltd; moderate order book of Rs 32.19 crore as on October 19, 2018 for installation of vibration isolation systems providing near term revenue visibility and improved product portfolio with the company supplying Tuned Mass Damper (TMD) for the “Statue of Unity” project in Gujarat with technical support availed from the parent company. The rating also considers the healthy capital structure with zero debt levels. Further, the company has established relationship with customers; track-record of delivering quality products in a timely manner; and extensive experience of parent company, GERB Holding, in the manufacturing of vibration control systems. However, the rating is constrained by small scale operations with revenues of Rs.30.65 crore in FY2018; decline in operating margins to 3.35% in FY2017 and 4.97% in FY2018 due to reduced scale of operations along with increase in key raw material costs; and; high customer concentration with 45% of the revenues contributed from BHEL and L&T Ltd in FY2018. The rating also considers high working intensity at 69% in FY2018 due to stretched receivables and high inventory levels and high competition from the imported products as well as other convention vibration control methods like rubber pads.

### Outlook: NA

### Key rating drivers

### Credit strengths

**Long standing experience of management in the manufacturing of vibration control systems:** Established in 1992 in Bangalore, Gerb Vibration Control System Pvt Ltd (GVCSPL) is engaged in the manufacture of vibration isolation, vibration control and seismic protection systems to cater to domestic market. The company receives technical support from its parent Gerb Holding, Germany, which was established in 1908 by Mr. William Gerb. The parent company manufactures vibration-isolation and noise-control machinery. The group operates 11 subsidiaries in Berlin, Essen, France, Italy, Spain, Czech Republic, China, Russia, India, Japan, South Korea, Brazil, Mexico and USA.

**Improved product portfolio:** The company diversified into supply of Tuned Mass Damper (TMD) for the “Statue of Unity” project in Gujarat. A tuned mass damper (TMD), also known as a harmonic absorber or seismic damper, is a device mounted in civil structures to reduce the amplitude of mechanical vibrations. Statue of Unity project was awarded to L&T Ltd and GVCSP Ltd supplied Rs 7.50 crore of TMDs to L&T for use in the above project in FY2018.

**Moderate orderbook of Rs 32.17 crore as on October 19, 2018** - The company has an orderbook of Rs. 32.17 crore as on October 19, 2018 providing near term revenue visibility. The largest order is from Shrem Airport Hotels Pvt Ltd (SAHPL) for a value of Rs. 22.00 crore. This order involves installation of steel spring elements of Rs. 20.00 crore and viscodampers of Rs. 2.00 crore for attenuating the vibrations originated from the Metro station near the hotel located in Andheri.

**Established relationship with key suppliers and customers:** The company has established relationship with customers, and track-record of delivering quality products in a timely manner. The company received repeat orders from L&T Ltd and BHEL in last 3 years. The major raw materials required for the manufacturing of vibration control systems are steel, springs, ropes, viscous liquids, paints and other consumables. Visco liquids and steel ropes are imported from the parent company and others procured locally.

**Healthy capital structure in the absence of any debt:** The company has been maintaining a healthy capital structure, with zero debt and comfortable coverage indicators over the year with interest coverage of 14.09 times in FY2018. The interest costs are the BG commission of 1-1.5% paid by the company.

## Credit challenges

**Modest scale of operations with revenues at Rs. 30.65 crore in FY2018:** The revenue decreased by 24% in FY2017 to Rs. 20.17 crore owing to lower orders from the power sector. Historically, the company received orders of Rs. 4-5 crore from BHEL and L&T which is reduced in FY2017. The operating income of the company increased by 47% in FY2018 to Rs. 30.65 crore due to increased order execution for L&T Ltd and BHEL. In 6m FY2019, the company has recorded sales of ~Rs. 12 crore in which Rs. 4.55 crore orders are executed for BHEL and expected to record total sales of Rs. 25.00 crore for FY2019.

**Operating margin reduced in FY2017 and FY2018:** Due to decrease in revenues and increased competition levels, the operating profit margin reduced over to 3.35% in FY2017 from 8.79% in FY2016. With improved revenue in FY2018, the OPM increased to 4.97% despite increase in steel prices. The company’s net margins stood at 1.21% in FY2017 and 2.60% in FY2018. The company has been declaring dividend continuously till FY2016 resulting in negative NCA, however the company hasn’t declared any dividend in FY2017 resulting in NCA at Rs. 1.61 crore. With Rs. 2.41 crore dividend declared in FY2018, the company’s NCA is at negative Rs. 1.16 crore.

**Working capital intensity continue to be stretched on account of high receivables and inventory:** The working capital intensity stood at 69% in FY2018 owing to high debtors and inventory days. The debtor days have increased as on March 31, 2018 due to large billing done in Q4 of FY2018. The receivables are primarily from L&T Ltd for the “Statue of unity” project and BHEL. The inventory levels are high due to lead time for imported raw materials like visco fluids and steel ropes and delay in dispatch of materials due to project site being not ready.

**Moderate customer concentration risk:** The customer concentration is moderate with top 5 customers accounting to 23% of total sales in FY2017 which has increased to 53% in FY2018 and 56% in 5m FY2019 owing to increased share of revenues from BHEL and L&T Ltd. BHEL and L&T Ltd contributed to 45% of total sales in FY2018 and 44% of total sales in 5m FY2019 on account of increase in orders for new products like TMDs.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:**

[Corporate Credit Rating Methodology](#)

## About the company:

Established in 1992 in Bangalore, Gerb Vibration Control System Pvt Ltd (GVCSPL) is engaged in the manufacture of vibration isolation, vibration control and seismic protection systems to cater to domestic market. The company provides its services to thermal power plants, metal forming, steel, cement, chemical, pharmaceutical and textile industries. The company was initially incorporated as a Joint Venture Company between GERB Holding (Germany) and an Indian Company (Francis Klein & Co Pvt Ltd) in the year 1992. Later, the company has become a subsidiary of GERB Holding-Germany from 2013. The company has manufacturing cum sales office in Peenya, Bangalore with all the equipment required for the manufacturing of vibration isolation systems. Of the total turnover, 60-70% of the company's turnover is derived from power projects & the balance turnover from industries such as automobiles, pharmaceuticals, OEM'S and other applications wherever vibration from machines to be isolated.

## Key financial indicators

	FY2016	FY2017	FY2018 (Provisional)
Operating Income (Rs. crore)	26.48	20.92	30.65
PAT (Rs. crore)	1.11	0.25	0.80
OPBDIT/ OI (%)	8.79%	3.35%	4.97%
RoCE (%)	2.40%	1.33%	1.92%
Total Debt/ TNW (times)	0.00	0.00	0.00
Total Debt/ OPBDIT (times)	0.00	0.00	0.00
Interest coverage (times)	13.87	4.33	14.09

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for last three years:

		Current Rating (FY2019)			Chronology of Rating History for the past 3 years		
Instrument	Type	Amount	Amount	Date & Rating Oct 2018	Date & Rating in FY2018 Apr 2017	Date & Rating in FY2017 -	Date & Rating in FY2016 Dec 2015
		Rated (Rs. crore)	Outstanding (Rs Crore)				
1 Bank Guarantee	Short Term	14.00	-	[ICRA]A4+	[ICRA]A4+	-	-

## Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Bank Guarantee	2016	-	-	14.00	[ICRA]A4+ Source: GVCSP

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