



Press Release

Flowmore Limited
October 17, 2023

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
1.	Long Term Bank Facility	165.00	IVR BBB+/ Stable (IVR Triple B Plus/ Stable)	IVR BBB+/ Stable (IVR Triple B Plus/Stable)	Reaffirmed	Simple
2.	Short Term Bank Facility	560.00	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	Reaffirmed	Simple
	Total	725.00	Rupees Seven Hundred and Twenty Five Crores			

Details of Facilities are in Annexure 1.

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long-term rating at IVR BBB+ and short-term rating reaffirmed at IVR A2 for the bank loan facilities of Flowmore Limited (FL).

The rating reaffirmation of Flowmore Limited is on account of experienced management and established track record, improved scale of operations & healthy order book position, financial risk profile continues to be comfortable, besides strong engineering and design capabilities of the company. However, these rating strengths remain constrained by working capital intensive nature of operations, intense competition and tender based contracts and susceptibility to volatility in raw material prices.

The Stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the FLs business & financials risk profile will be maintained or improved over the over the medium term. The company has healthy order book position provides revenue visibility in medium term. IVR expects that the company performance will be in line with the given projections.

Upward Factors

- Significant and sustained growth in the scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure resulting in further improvement of the financial risk profile.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to deterioration in the liquidity position.



Press Release

IVR has principally relied on the standalone audited financial results of Flowmore Limited up to FY23, three years projected financials till FY26, and publicly available information/clarifications provided by the company's management.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management and established track record:

The company was started by Mr. Mahesh Prasad Gupta and is currently managed by his grandson Mr. Saurabh Gupta who is also supported by his brothers. All the directors are highly experienced and are into the business for more than two decades. Further, the company is into business for more than five decades and has gone through multiple business cycles. Long experience of the promoters in construction industry has led to the established position of the company from where they are getting repeated orders. The company has become an approved vendor for some of the reputed clients in private as well as public sector. Some of the names include National Thermal Power Corporation Ltd (NTPC), Bharat Heavy electricals Ltd (BHEL), Larsen & Toubro Ltd.(L&T), Tata Projects Ltd. etc.

Strong engineering and design Capabilities:

The company's manufacturing plant is recognized as an R&D unit by the Ministry of Science & Technology, and it has also constructed the country's largest pump test bed at Ghaziabad. This has helped the company to get orders for some of the largest pumps getting constructed in the country. FL has multiple quality certifications such as ISO 9001:2015, ISO 14001:2015, ISO 45001: 2018, 50001: 2018. The Company has long standing relationship with its clients and clients include govt irrigation and water departments.

Improved scale of operations and healthy orderbook:

The operating income of the company has improved from Rs. 497.09 crore in FY2022 as compared to Rs. 606.56 crore in FY23 on the back of healthy order book & timely execution. The company is deriving the majority of its revenue from pumps & spares segment (~68%) followed by Electrical- Grid System & Trading (~29%) in FY23 and rest is revenue from motors. The share of services provided through electrical grid system & trading has improved from 24.91% in FY22 to ~29% FY23. The company registers revenue of Rs 103.25 Crs in Q1FY24. The company has healthy total outstanding orderbook of Rs. 915.56 Crores as on 31 July 2023 provides medium-term revenue visibility. FL's products have applications in several industries diversifying the risk of being dependent on a particular sector. The company has customers across diversified verticals such as irrigation, metals, heavy engineering, cement, construction, power etc. The execution capability of the company will lead to a continuous flow of orders which in turn will support the business risk profile of the company over the medium term.

Comfortable Financial Risk Profile

With improved profitability, accretion of profits to reserves, the long-term debt to equity ratio remained comfortable at 0.23x in FY23 and overall gearing stands comfortable at 0.83x in FY23, however adjustable gearing is high at 2.41x in FY23. Company has satisfactory tangible net worth base which improved to Rs. 194.68 Crores in FY23 from Rs. 174.19 Crores in FY22 due to accretion of profit to reserves. The current ratio of the company is comfortable at 1.47x in FY23 indicates ability of the company to meet its current liabilities from its current assets.



Press Release

The debt protection indicators of the company remained satisfactory and further improved such as interest service coverage ratio (ISCR) improved from 1.66x in FY22 to 1.83x in FY23 while debt service coverage ratio (DSCR) improved to 1.46x in FY23 from 1.22x in FY22. The profitability margins of the company have improved in FY23 i.e. EBITDA margins of the company improved from 10.95% in FY22 to 11.15% and PAT margin improved from 2.62% in FY22 to 3.41% in FY23.

Key Rating Weaknesses

Working capital intensive nature of operations:

Operations of the company are working capital intensive as reflected in operating cycle of the company. Although, the operating cycle of the company improved from 135 days in FY22 to 113 days in FY23, Though the debtors' days generally remains high in the year end at 200 days (224 days in FY22)) due to majority of the turnover is achieved in the last quarter of any financial year. Subsequently the payments are realized in the next financial year. Furthermore, the counterparty risk also remains low owing to reputed clientele which includes most of the central and state government entities.

Intense competition and tender based contracts:

Since majority of the clients are government backed entities, the company receives orders primarily by participating in tenders floated by these entities. Margins in the tender-based business are always capped due to intense competition from other large players in the market.

Susceptibility to volatility in raw material prices:

Inputs like transformers, steel, copper, along with labour form a major part of the company's cost. The key raw materials are procured as per tender specifications, mainly from local suppliers. The prices of these materials are inherently volatile and are driven largely by global as well as local demand and supply conditions. The volatility in the prices of these materials may impact the profitability. However, this risk is mitigated to some extent by the presence of cost escalation clause in majority of the contracts as the contracts are of longer tenure.

Analytical Approach: For arriving at the ratings, IVR has analyzed FL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

Rating Methodologies for Manufacturing Entities

Financial Ratios & Interpretation Non- Financial Sector

Criteria for assigning rating outlook

Liquidity – Adequate

Adequate liquidity profile of the company marked by gross cash accruals (GCA) of Rs. 25.42 Crs against a repayment obligation of Rs. 8.64 Cr in FY23 and expecting GCA of over Rs 30 Crs against repayment obligation of Rs 16.89 Crs for current FY indicating sufficient repaying capability. The company also has an adequate current ratio of 1.47 in FY23. The free cash & cash equivalent was Rs. 3.58 Crs as on March 31, 2023. The average utilization for fund-based facilities stood at ~68% for the last 12 months ending July 2023; indicates that the company has enough cushion of unutilized working capital to execute additional orders and scale up of operations. The company is growing in scale and thus has enough liquidity buffer to support the operations.



Press Release

About the Company

Flowmore Limited (FL) was started as a proprietorship concern in 1950. It got converted to a private limited company in July 1967 and into a public limited company in May 2008. FML has its manufacturing facilities at Ghaziabad. The company manufactures and supplies a large variety of pumps including vertical propellers, mixed-flow, non-clog solids handling, ash slurry and turbine pumps, horizontal split-case, end suction, sump pumps, submersible sewage and bore wells, with different capacity levels.

Flowmore Limited is promoted by the Gupta family and currently the business is looked after by Mr. Gaurav Gupta, Mr. Saurabh Gupta and Mr. Rishabh Gupta who are the key directors of the company. Flowmore Limited has quality certifications such as ISO 9001:2015, ISO 14001:2015, ISO 45001: 2018, 50001:2018.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	497.09	606.56
EBITDA	54.44	67.63
PAT	13.07	20.76
Total Debt	146.67	162.54
Tangible Net worth	174.19	194.68
EBITDA Margin (%)	10.95%	11.15%
PAT Margin (%)	2.62%	3.41%
Overall Gearing Ratio (x)	0.84	0.83
Adjustable Gearing (x)^	2.93	2.41

*Classification as per Infomerics' standards

^considered off balance sheet debt (BG&LC) in total debt in calculation of adjustable gearing.

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument / Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (5 Dec,2022)	Date(s) & Rating(s) assigned in 2021-22 (31 Dec,2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund Based	Long Term	165.00	IVR BBB+/ Stable Reaffirmed	IVR BBB+/ Stable	IVR BBB+/ Stable	-



Press Release

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		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (5 Dec,2022)	Date(s) & Rating(s) assigned in 2021-22 31 Dec,2021)	Date(s) & Rating(s) assigned in 2020-21
2.	Short Term Non-Fund Based	Short	560.00	IVR A2 Reaffirmed	IVR A2	IVR A2	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com

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Press Release

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

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term- Term Loan/GECL	-	-	-	25.00	IVR BBB+/ Stable
Long Term Bank Facility – Cash Credit	-	-	-	140.00	IVR BBB+/ Stable
Short Term Bank Facility Letter of Credit	-	-	-	180.00	IVR A2 (IVR A Two)
Short Term Bank Facility Bank Guarantee	-	-	-	380.00	IVR A2 (IVR A Two)

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-flowmore-oct23.pdf>

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