Press Release

Flowmore Limited

December 05, 2022

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facility	161.66 (Reduced from Rs. 165.33 crore)	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	**721.66**	**Rs. Seven Hundred Twenty-One crore & Sixty-Six lakhs**			

*includes proposed limit of Rs. 47.00 crore

Details of Facilities are in Annexure 1.

Detailed Rationale

The rating reaffirmation of **Flowmore Limited** considers the consistent scale of operations, better overall financial risk profile, continuous healthy performance in FY22 & Q1FY23. Further rating continues to derive comfort from experienced management and established track record, strong engineering and design capabilities, strong Orderbook, healthy order book position with fresh order inflow and established relationships with reputed clientele, comfortable financial risk. However, these rating strengths remain constrained by working capital intensive nature of operations and susceptibility to volatility in raw material prices:

Upward Factors

- Significant growth in scale of business while maintaining profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- 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.

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 six 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 has 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 and OHSAS 18001:2007. The Company has long standing relationship with its clients and clients include govt irrigation and water departments.

- **Strong Orderbook:**

The company has total orderbook of Rs. 680.08 Crores out of which unexecuted orderbook is Rs. 349.21 Crores. FL's products have applications in several industries diversifying the risk of being dependent on a particular sector. The company has over 60 customers across diversified verticals such as irrigation, metals, heavy engineering, Cement, Construction, Power etc. Most of the contracts in the current order book have an execution period of 12 to 18 months, lending healthy medium-term revenue visibility. The strong execution capability of the company will lead to 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 0.24x in FY21 and overall gearing stands comfortable and improved to 0.84x in FY22 from 1.01x in FY21. Company has satisfactory tangible net worth base and it improved to Rs. 174.19 Crores in FY22 from Rs. 159.23 Crores in FY21 due to accretion of profit to reserves. Total Debt of Rs. 146.67 Crores in FY22 includes mainly working capital limits of Rs. 104.70 Crores, term loan of Rs. 33.97 Crores and unsecured loan of Rs. 7.99 Crores. The debt protection indicators of the company remained satisfactory and further improved such as interest coverage improved from 2.09x in FY21 to 2.30x in FY22. The DSCR declined marginally to 1.22x in FY22 from 1.44x in FY21 due to addition of covid loan.

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 154 days in FY21 to 135 days in FY22, the debtors' days generally remains high in the year end due to majority i.e., more than 50.00% 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 presence of cost escalation clause in majority of the contracts as the contracts are of longer tenure (ranging from 1-1.5 years).

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Manufacturing Companies]
[Financial Ratios & Interpretation (Non-financial Sector)]
[Criteria of assigning rating outlook]

Liquidity – Adequate

The gross cash accruals stood comfortable Rs. 18.81 Cr. against a repayment obligation of Rs. 9.73 Cr in FY22. The company also has an adequate current ratio of 1.54 in FY22. The company had also covid loans which provides cushion to their liquidity position. The free cash & cash equivalent was Rs. 38.48 Crore as on March 31, 2022. Liquidity is expected to remain Adequate. The company is expected to generate cash accruals in the range of Rs. 24.00 crore to Rs. 36.00 crore in FY23-FY25 as against the repayment of Rs. 8.67 crore to Rs. 8.97 crore indicating sufficient repaying capability. The average utilization for fund-based facilities stood at 74.89% for the last 11 months ending September 2022. The company is growing in scale and thus has enough liquidity buffer to support the operations.

About the Company

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 directors of the company. The promoters have created a strong platform to scale up the operations of the company. In addition to the promoters, FL is managed by a group of professionals. All the directors are highly experienced and are into the business for more than two decades. Long experience of the promoters in construction industry has led to the established position of the company from where they are getting repeat orders.

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	500.59	497.09
EBITDA	52.09	54.44
PAT	11.89	13.07
Total Debt	160.56	146.67
Adjusted Tangible Net worth	159.23	174.19
EBITDA Margin (%)	10.41%	10.95%
PAT Margin (%)	2.37%	2.62%
Overall Gearing Ratio (x)	1.01	0.84

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (05 December 2022)	Date(s) & Rating(s) assigned in 2021-22 (31 December 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	21.66	IVR BBB+/ Stable (IVR Triple B Plus/Stable)	IVR BBB+/ Stable (IVR Triple B Plus/Stable)	-	-
2.	Cash Credit	Long Term	140.00	IVR BBB+/ Stable (IVR Triple B Plus/Stable)	IVR BBB+/ Stable (IVR Triple B Plus/Stable)	-	-
3.	Letter of Credit	Short Term	180.00*	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)		
4.	Bank Guarantee	Short Term	380.00**	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	-	-

*includes proposed limit of Rs. 20.00 crore

**includes proposed limit of Rs. 27.00 crore

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.

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About Infomerics:

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 4 in major cities and representatives in several locations. For more information visit www.infomerics.com

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	-	-	-	21.66	IVR BBB+/ Stable (IVR Triple B Plus/Stable)
Long Term Bank Facility – Cash Credit	-	-	-	140.00	IVR BBB+/ Stable (IVR Triple B Plus/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)

*includes proposed limit of Rs. 20.00 crore

**includes proposed limit of Rs. 27.00 crore

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

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Flowmore-lenders-dec22.pdf

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

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