



Press Release

Flowmore Limited

Dec 12, 2024

Ratings

S. No	Instrument /Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	175.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	<u>Simple</u>
2.	Short Term Bank Facilities	560.00	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	Reaffirmed	<u>Simple</u>
Total		735.00	Rupees Seven Hundred and Thirty Five Crores			

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

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 continues to draw comfort from experienced management and established track record of the company along with improved scale of operations. The ratings further take into consideration healthy order book position, comfortable financial risk profile, 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 coupled with susceptibility of margins to volatility in raw material prices.

The Stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that FL's business & financials risk profile will be maintained over the medium term on the back of FL's established track record of operations, increased scale of operations healthy order book position which provides revenue visibility in medium term.

IVR has principally relied on the standalone audited financial results of FL's up to up to 31 March 2024 (refers to 1 April 2023 to 31 March 2024), & projected financials from FY25 to



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FY27 (refers to 1 April 2024 to 31 March 2027), and publicly available information/clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in the scale of business with improvement in profitability metrics thereby leading to an overall improvement in cash accruals and liquidity.
- Improved/or maintained 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 significant rise in working capital intensity or unplanned capex leading to deterioration in the liquidity position and deteriorating TOL/TNW above 3x on sustained basis.

List of Key Rating Drivers with Detailed Description

Key Strengths

Experienced management and established track record:

The company has long track record of business for more than five decades started by Mr. Mahesh Prasad Gupta and is currently managed by his grandson Mr. Saurabh Gupta and supported by his brothers. Directors are well experienced and are into the business for more than two decades in the same line of business. Long experience of the promoters in the industry has led to the established position of the company in its segment resulting repeat orders. The Company has long standing relationship with its clients and clients include Govt irrigation and water departments and some of the reputed clientele include National Thermal Power Corporation Ltd (NTPC), Bharat Heavy electricals Ltd (BHEL), Power Grid Corporation of India Limited 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 one of country's largest pump test bed at its Ghaziabad unit. This has helped the company to get orders for some of the largest pumps getting constructed in the country. The company has multiple quality certifications such as ISO 9001:2015, ISO 14001:2015, ISO 45001: 2018, 50001: 2018.

Improved scale of operations and healthy orderbook:

The operating income of the company has improved from Rs. 606.56 crore in FY2023 to Rs. 677.94 crore in FY24 on the back of healthy order book & timely execution. The company is



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deriving majority of its revenue from pumps, motors & spares segment (~72%) followed by Electrical- Grid System & Trading (~28%) in FY24. The company has achieved ~250 crore (Prov.) in H1FY25. The turnover in the second quarter is slightly higher as compared to first half. The company has healthy total outstanding orderbook of Rs. 921.19 crore as on 30 September 2024. 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. Most of the contracts in the current order book have an execution period of 12 to 18 months, indicates 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 continues to remain comfortable at 0.25x in FY24 (PY: 0.23x) and overall gearing stands comfortable at 0.91 in FY24 (PY: 0.83x). The company has healthy tangible net worth base of Rs 210.21 core in FY24 due to accretion of profit to reserves over the years. The current ratio of the company is comfortable at 1.41x in FY24 (PY: 1.47x) indicates ability of the company to meet its current liabilities from its current assets. The debt protection indicators of the company remained satisfactory; interest service coverage ratio (ISCR) is comfortable at 1.72x in FY24 (PY: 1.83x) while debt service coverage ratio (DSCR) is low, though satisfactory at 1.13x in FY24 (PY: 1.37x). Profit margins decline in FY24 against FY23 but still remained comfortable. EBITDA margins of the company declined from 11.15% in FY23 to 10.04% in FY24 and PAT margins declined from 3.41% in FY23 to 2.31% in FY24. The margins in pumps vary from 10%-11%, whereas margins are higher in larger pumps and lower in small to medium pumps. And during FY 23, number of larger size pumps were sold more resulting in better margins.

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 113 days in FY23 to 104 days in FY24. Though the debtors' days generally remains high in the year end 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 and thus debtor days remain elongated (~199 days in FY24) at the March month end. The counterparty risk continues to be low owing to reputed clientele which includes most of the central & state government entities and thus mitigates risk to an extent.



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Intense competition & 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 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.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

Adequate liquidity profile of the company marked by gross cash accruals (GCA) of Rs. 24.25 crore against a repayment obligation of Rs. 16.89 crore in FY24 and expecting sufficient GCA to meet repayment obligation in next 3 fiscal years. The company also has an adequate current ratio of 1.41 in FY24. The free cash & cash equivalent was Rs. 4.40 crore as on Sep 30, 2024. The average utilization for fund-based facilities stood at ~54% for the last 12 months ending Nov 2024; indicates that the company has enough cushion of unutilized working capital to execute additional orders and scale up of operations.

About the Company

Flowmore Limited (FL) was started as a proprietorship concern in 1950 and the company got converted to a private limited company in July 1967 and into a public limited company in May 2008. The company has its manufacturing facilities at Ghaziabad, and it manufactures & 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.



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Flowmore Limited has quality certifications such as ISO 9001:2015, ISO 14001:2015, ISO 45001: 2018, 50001:2018.

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	606.56	677.94
EBITDA	67.63	68.08
PAT	20.76	15.71
Total Debt	162.54	192.12
Tangible Net worth	194.68	210.21
EBITDA Margin (%)	11.15	10.04
PAT Margin (%)	3.41	2.31
Overall Gearing Ratio (x)	0.83	0.91
ISCR (x)	1.83	1.72

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument / Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (17 Oct,2023)	Date(s) & Rating(s) assigned in 2022-23 (5 Dec,2022)	Date(s) & Rating(s) assigned in 2021-22 (31 Dec,2021)
1.	Long Term Fund Based	Long Term	175.00	IVR BBB+/Stable	IVR BBB+/Stable	IVR BBB+/Stable	IVR BBB+/Stable
2.	Short Term Non-Fund Based	Short Term	560.00	IVR A2	IVR A2	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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Annexure 1: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – GECL	-	-	-	March,2026 March,2025 Nov,2026	2.30 0.55 5.64	IVR BBB+/ Stable
Long Term Bank Facilities – TL	-	-	-	June,2029 June,2029	16.51 10.00	IVR BBB+/ Stable
Long Term Bank Facilities – Cash Credit	-	-	-	-	140.00	IVR BBB+/ Stable
Short Term Bank Facilities – LC	-	-	-	-	180.00	IVR A2
Short Term Bank Facilities – BG	-	-	-	-	380.00	IVR A2

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-flowmore-dec24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: NA

Annexure 4: List of companies considered for combined analysis: NA

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