



Press Release

Flowmore Limited

31 December 2021

Ratings

S. No	Instrument /Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facility	165.33	IVR BBB+/ Stable	Assigned
2.	Short Term Bank Facility	560.00	IVR A2	Assigned
	Total	725.33 (Rs. Seven Hundred Twenty-Five crore & Thirty-Three Lakhs only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of **Flowmore Limited** have been assigned on the basis of the Audited financials for FY21. The company derives comfort from extensive experience of the promoters, strong engineering and design capabilities, improvement in scale of operations during the pandemic and comfortable financial risk profile. These factors are offset by susceptibility to working capital intensive operations, susceptibility to fluctuation in raw material prices and competition in the industry.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in 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



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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

Extensive experience of the promoters and established track record of operations

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 pump 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 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 orders in hand amounting to ~Rs.780.00 Crores as of October 2021 providing the company with a revenue visibility of around 1.5 years. 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



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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.

Increase in Scale of Operations and Margins

Despite the Covid-19 pandemic, the company's operating income increased ~15.00% to Rs.500.59 Crores in FY21 from Rs.435.54 Crores in FY20. The EBITDA also improved to Rs.52.09 Crores in FY21 from Rs.37.62 Crores in FY20. EBITDA margin has improved from 8.64% in FY20 to 10.41% in FY21. The PAT improved significantly to Rs.11.89 Crores in FY21 from Rs.1.38 Crores in FY20. While in percentage terms, PAT Margin improved to 2.37% in FY21 from 0.32% in FY20.

Comfortable Financial Risk Profile

The financial risk profile of the company is comfortable marked by satisfactory Tangible Net worth base of Rs.159.23 Crores in FY21 as against Rs.151.20 Crores in FY20. The Overall gearing stands comfortable at 1.01x in FY21 as against 1.11x in FY20. The debt protection metrics is also satisfactory marked by ICR & DSCR of 2.09x & 1.34x in FY21. TOL/TNW stands at 2.49x in FY21 as against 2.59x in FY20.

Key Rating Weaknesses

Working capital intensive nature of operations

Operations of the company are working capital intensive as reflected in operating cycle of 152 days as on March 31, 2021 (FY20:188 days). The same has remained elongated on account of the stretch in receivables. The average collection period stood at 230 days in FY21 (FY20: 269 days). The debtor's 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 departments.

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



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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

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

FL has generated a cash accrual of Rs.12.84 Crores in FY21 against the debt repayment obligations of Rs.3.15 Crores. Further, FL liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY22. Average Utilization of bank limits for last 12 months ended October 2021 stood at ~77.00% indicating some buffer to meet incremental requirements. Further, company reported cash and cash equivalents of Rs.33.74 Crores as on March 31, 2021. The Current Ratio stood at 1.43x as on March 31, 2021. All these factors reflect adequate liquidity position of the company.

About the Company

Flowmore Limited 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. 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



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Ghaziabad. FML has multiple quality certifications such as ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007.

Financials (Standalone):

For the year ended*	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	435.54	500.59
EBITDA	37.62	52.09
PAT	1.38	11.89
Total Debt	168.31	160.56
Adjusted Tangible Net worth	151.20	159.23
EBITDA Margin (%)	8.64	10.41
PAT Margin (%)	0.32	2.37
Overall Gearing Ratio (x)	1.11	1.01

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2021-2022)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating (31 December 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	25.33	IVR BBB+/Stable	-	-	-
2.	LC/BG	Short Term	560.00	IVR A2	-	-	-
3.	Cash Credit	Long Term	140.00	IVR BBB+/Stable	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it based on complexity and a note thereon is available at www.infomerics.com.



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About Infomerics:

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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 Bank Facilities – Term Loan	-	-	-	25.33	IVR BBB+/ Stable
Short Term Non-Fund- LC/ BG	-	-	-	560.00	IVR A2
Long Term Fund Based Bank Facilities- Cash Credit	-	-	-	140.00	IVR BBB+/ Stable

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-dec21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	Term Loan	Simple
3.	LC/ BG	Simple

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.