



## Press Release

### Roto Pumps Limited

November 03, 2021

#### Ratings

| Instrument / Facility                    | Amount<br>(Rs. crore) | Ratings  | Rating Action                                  |
|--|-----------------------|--|--|
| Long Term Bank Facilities                | 14.00                 | IVR A-/Stable<br>(IVR Single A Minus<br>with Stable Outlook) | Reaffirmed and<br>removed from credit<br>watch |
| Long Term/ Short<br>Term Bank Facilities | 30.00                 | IVR A-/IVR A2+ (IVR<br>Single A Minus/IVR<br>A Two Plus)     | Reaffirmed and<br>removed from credit<br>watch |
| Short Term Bank<br>Facilities            | 2.50                  | IVR A2+<br>(IVR A Two Plus)                                  | Reaffirmed and<br>removed from credit<br>watch |
| <b>Total</b>                             | <b>46.50</b>          |  |  |

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation in the ratings assigned to the bank facilities of Roto Pumps Ltd (RPL) continues to drive strength from the long track record of operations of the company, its geographically diversified revenue profile and good technological abilities. The ratings also factor in the company's strong financial risk profile marked by healthy profitability, conservative capital structure and strong debt protection metrics with strong liquidity position. These rating strengths are however partially offset by the company's modest scale of operations, susceptibility of its profitability to fluctuation in foreign exchange, exposure to competition from unorganized players and working capital intensive nature of its operations. Earlier the ratings were placed under credit watch with developing implications on account of uncertainties in demand in its key overseas markets due to COVID pandemic. However, now the ratings are removed from credit watch due to exhibited stable financial performance of the company in FY21 and in Q1FY22. Further, Infomerics expects that the performance of the company will remain stable in the near term.

#### Key Rating Sensitivities:



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### **Upward Factors**

- Substantial and sustained growth in operating income with improvement in profitability
- Improvement in operating cycle

### **Downward Factors**

- Moderation in operating income and/or deterioration in operating profitability impacting the debt protection metrics on a sustained basis
- Any unplanned large debt funded capital expenditure impacting the capital structure with moderation in overall gearing over 1x
- Further elongation of the working capital cycle affecting the liquidity

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Long Track record of operations under experienced promoters**

RPL has been in business for over five decades. Long standing presence in the industry has helped the company to establish healthy relationship with its customers and suppliers, both in India and overseas. In India, the client base includes respected companies across a wide range of sectors. The promoters of the company are well qualified and have vast experience in the pump industry.

##### **Geographical diversification in revenue profile**

RPL has a geographically diversified revenue profile. On the domestic front, the company sells its products across India. In the overseas market, it sells its products in countries like Australia & New Zealand, Africa, UK & Europe, USA, Middle East & Southeast Asia. While Roto Pumps Americas Inc and Roto Pumps North America Inc undertake sales and marketing of pumps and spares in the American Region, Roto Pumpen GMBH carries out sales and marketing of pumps and parts of pumps in European countries. African region and South-East Asia are catered by Roto Pumps Africa Pty Limited and Roto Pumps (Malaysia) Sdn Bhd respectively. Also, branch offices in Australia and Manchester cater to Australia & New Zealand and UK respectively. A geographically diversified portfolio enables the company to spread its risk and reduces dependency on a country or region.



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### **Good technological abilities**

RPL manufactures pumps using the latest available technology. The company is an ISO 9001, 14001 & 18001 certified organisation. It has state of the art manufacturing plant in Greater Noida which is designed to be a zero liquid discharge unit. The facility is also equipped with a solar power plant that meets 50% of energy needs.

### **Earnings to be driven by completion of ongoing capex going forward**

The company has now embarked a phase wise capex for manufacturing of Solar pumping systems, PCP Downhole Pumps and Positive Displacement Mud Motors. The envisaged cost of the project stood at Rs.76.5 crore which is to be funded by internal accruals only. Till September 30, 2021 the company has incurred around Rs.7 crore. The capex is to be completed by FY24 whereas manufacturing set up for Downhole Pumps and Positive Displacement Mud Motors is likely to be ready by Q1FY23 and production will commence from Q2FY23. Both the products have ample demand in the market and the earnings of the company is expected to grow multifold once the production will commence.

### **Strong financial risk profile marked by healthy profitability, conservative capital structure and healthy debt protection metrics**

The financial risk profile of the company continued to remain strong in FY21. During FY21, the EBITDA margin of the company improved to 23.85% from 18.22% in FY20 on the back of lower power & fuel expenses (50% of energy needs are met by solar power plant at Greater Noida), lower employee expenses and travelling expenses during the year. Fuelled by growth in EBITDA and lower interest outgo, the PAT margin also improved from 8.55% in FY20 to 13.93% in FY21 leading to improvement in its gross cash accruals from Rs.16.55 crore in FY20 to 21.59 crore in FY21. The capital structure also continued to remain conservative marked by long term debt equity ratio of 0.01x (FY20:0.02x) and overall gearing of 0.12x (FY20:0.20x) as on March 31, 2021. Total indebtedness of the company as reflected by the TOL/TNW remained at less than 1.00x in the three years through March 31, 2021. Further, the debt protection metrics continued to remain healthy marked by interest coverage and Total Debt/GCA at 25.55x and 0.57x respectively in FY21.

### **Key Rating Weaknesses**

**Modest scale of operations**



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The scale of operations of the company continued to remain modest in FY21. The total operating income of the company moderated from Rs.135.07 crore in FY20 to Rs.129.32 crore in FY21 on account of the Covid-19 led national lockdown because of which the manufacturing facilities remained closed from March 22, 2020 to April 6, 2020 and thereafter operated at 25% capacity until middle of May. However, the company witnessed growth in sales in H2FY21. During Q1FY22, the company has achieved a PAT of Rs.6.98 crore on a revenue of ~Rs.36 crore.

### **Competition from unorganized players**

The pump industry in India is highly fragmented; marked by the presence of a few big players and many small and mid-sized players. The group is thus exposed to intense competition from the unorganized players in the domestic market.

### **Profitability susceptible to volatility in foreign exchange risk**

On a consolidated basis, RPL derived ~70 per cent of its revenue through exports in FY21. Also, part of the raw material requirement is met through imports, exposing the company to risk arising out of fluctuation in foreign exchange. Though the Company covers around 70-80 per cent of its forex exposure by entering into forward contracts, however profitability of the company remains vulnerable to fluctuation in foreign exchange on account of the un-hedged portion. As on March 31, 2021 the total unhedged exposure stood at Rs. 9.27 crore.

### **Working capital intensive nature of operations**

Operations of the company are working capital intensive as reflected in operating cycle of 147 days as on March 31, 2021 (FY20:144 days). The same has remained elongated on account of the stretch in receivables and large inventory held by the company. In the domestic market, RPL receives payment from PSU's/ Government in 120-180 days while payment from private corporates is received in up to 60 days for sale of pumps. For sale of spare parts, credit of 30-60 days is given to existing customers. In the export market ~90% of the payment is received in phases by the time of dispatch and the remaining is received within 6 months. Also, while sale of pumps is mostly backed by orders, the company has to maintain inventory of spares.



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### **Analytical Approach: Consolidated**

INFOMERICS has taken a consolidated approach for analysis of RPL which includes business and financial risk profiles of Roto Pumps Limited and its various domestic and overseas subsidiaries, namely: Roto Pumps Americas Inc., Roto Pumpen GMBH and Roto Overseas Pte. Ltd and their step-down subsidiaries viz. Roto Pumps North America Inc, Roto Pumps Africa Pty Limited and Roto Pumps (Malaysia) Sdn Bhd.

### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity – Strong**

The liquidity position of RPL appears to be strong marked by its healthy gross cash accruals vis-à-vis insignificant debt repayment obligations and healthy gearing headroom underpinned by its comfortable capital structure. Further, utilisation in the fund based working capital limits of the company remained low at ~18% during the past twelve months ended September 2021 indicating an adequate liquidity buffer.

### **About the Company**

Roto Pumps Limited (RPL) is engaged in manufacture of industrial pumps, including progressive cavity pumps and twin-screw pumps. The manufacturing facilities of the company are located in Noida, Uttar Pradesh. The Company is listed on the Bombay Stock Exchange.

### **Financials (Consolidated):**

| For the year ended / As on* | (Rs. crore) |           |
|-----------------------------|-------------|-----------|
|                             | 31-3-2020   | 31-3-2021 |
|                             | Audited     | Audited   |
| Total Operating Income      | 135.07      | 129.32    |
| EBITDA                      | 24.62       | 30.84     |
| PAT                         | 11.62       | 18.33     |
| Total Debt                  | 17.07       | 12.21     |



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|                    |       |        |
|--------------------|-------|--------|
| Tangible Net worth | 85.37 | 100.66 |
| EBITDA Margin (%)  | 18.22 | 23.85  |
| PAT Margin (%)     | 8.55  | 13.93  |
| Overall gearing    | 0.20  | 0.12   |

*\*Classification as per Infomerics Standards*

**Status of non-cooperation with previous CRA: NA**

**Any other information: NA**

**Rating History for last three years:**

| Sl. No. | Name of Instrument/Facilities      | Current Ratings (Year 2021-22) |                                |                 | Rating History for the past 3 years   |   |   |
|---------|------------------------------------|--------------------------------|--------------------------------|-----------------|---|---|---|
|         |                                    | Type                           | Amount outstanding (Rs. Crore) | Rating          | 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.      | Cash Credit                        | Long term                      | 14.00                          | IVR A-/Stable   | IVR A- (Credit watch with developing implications) (Aug 5, 2020)                | IVR A-/Stable (May 13, 2019)            | --                                      |
| 2.      | Multiline Working Capital Facility | Long term/ Short term          | 30.00                          | IVR A-/ IVR A2+ | IVR A-/ IVR A2+ (Under credit watch with developing implications) (Aug 5, 2020) | --                                      | --                                      |
| 3.      | Bank Guarantee                     | Short term                     | 2.50                           | IVR A2+         | IVR A2+ (Under credit watch with developing implications) (Aug 5, 2020)         | IVR A2 (May 13, 2019)                   | --                                      |

**Name and Contact Details of the Rating Analyst:**

|   |   |
|---|---|
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|---|---|

**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually



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widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may 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 |
|------------------------------------|------------------|------------------|---------------|------------------------------|--------------------------|
| Cash Credit                        | -                | -                | -             | 14.00*                       | IVR A-/Stable            |
| Multiline Working Capital Facility | -                | -                | -             | 30.00#                       | IVR A-/ IVR A2+          |
| Bank Guarantee                     | -                | -                | -             | 2.50@                        | IVR A2+                  |

\*Includes sublimit of EPC/PCFC/FBP/FBD-8.50crore, Sublimit of EPB of Rs. 4 crore

# Includes sub-limit of Cash Credit/ Overdraft- Rs. 10 crore, WCDL- Rs.15 crore, PCFC/PSFC – Rs.25 crore, LC – Rs.10 crore, Standby Letter of Credit- Rs. 10 crore and BG-Rs.10crore

@Includes sub-limit of Letter of credit of Rs.0.75 crore

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Roto-pumps-lenders-nov21.pdf>

### Annexure 3: List of companies considered for consolidated analysis

| Name of the Company      | Nature                  | Consolidation Approach |
|--------------------------|-------------------------|------------------------|
| Roto Pumps Limited       | Parent                  | -                      |
| Roto Pumps Americas Inc. | Wholly Owned Subsidiary | Full Consolidation     |
| Roto Pumpen GMBH         | Wholly Owned Subsidiary | Full Consolidation     |



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|                               |                         |                    |
|-------------------------------|-------------------------|--------------------|
| Roto Overseas Pte. Ltd        | Wholly Owned Subsidiary | Full Consolidation |
| Roto Pumps North America Inc  | Step down subsidiary    | Full Consolidation |
| Roto Pumps (Africa) Pty Ltd   | Step down subsidiary    | Full Consolidation |
| Roto Pumps (Malaysia) Sdn Bhd | Step down subsidiary    | Full Consolidation |

### Annexure 4: Complexity level of the rated Instruments/Facilities

| Sr No. | Instrument                         | Complexity Indicator |
|--------|------------------------------------|----------------------|
| 1.     | Cash Credit                        | Simple               |
| 2.     | Multiline Working Capital Facility | Simple               |
| 3.     | Bank Guarantee                     | 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](http://www.infomerics.com).