

Infomerics Valuation And Rating Pvt. Ltd.

Roto Pumps Limited

May 13, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1	Bank Facilities- Long Term	30.00	IVR A-/Stable Outlook (IVR Single A Minus with Stable Outlook)
2.	Bank Facilities- Short Term	10.00	IVR A2+ (IVR A Two Plus)

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws comfort from the long track record of operations of the group, its geographically diversified revenue profile, comfortable operating profitability, healthy financial risk profile and comfortable liquidity position. These strengths are partially offset by the susceptibility of its profitability to fluctuation in foreign exchange, working capital intensive operations and competition from unorganized players in the domestic market. Improvement in scale of operations, working capital management and capital structure are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long Track record of operations

RPL group has been in business for around five decades. Long standing presence in the industry has helped the group establish leadership and build relationship with customers and suppliers, both in India and overseas.

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Geographical diversification in revenue profile

The group has a geographically diversified revenue profile. On the domestic front, RPL sells its products Pan India. In the overseas market, the group sells its products across Australia & New Zealand, Africa, UK & Europe, USA, Middle East & South East Asia.

While Roto Pumps Americas Inc undertakes the sales and marketing of pumps in the USA, Roto Pumps (Africa) Pty Ltd undertakes the sales and marketing of pumps and parts of pumps in African region. Australia & New Zealand and UK & Europe are catered through the branch offices in Australia and Manchester respectively. Middle East and South East Asia are covered through a strong dealer net work.

Comfortable operating profitability

RPL group has comfortable operating profitability as reflected in operating margins of 18-19 per cent in the two years through FY18.

Healthy financial risk profile

RPL group has a healthy financial risk profile marked by a comfortable net worth of Rs.63.95crore as on March 31, 2018, comfortable capital structure as reflected in overall gearing of 0.45x as on March 31, 2018 and strong debt protection metrics with interest cover and Total Debt/GCA of 7.88x and 1.88x respectively.

Comfortable liquidity profile

RPL group has a comfortable liquidity position as reflected in adequate expected accruals over the medium term as against small repayment obligations on vehicle loans. Further, the flagship company's bank limits remained moderately utilized at an average of 80 per cent over the twelve months through Feb-19.

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Key Rating Weaknesses

Working capital intensive operations

The operations of the group are working capital intensive as reflected in operating cycle of 105-115 days in the two years through FY18. The same has remained elongated on account of the stretch in receivables and large inventory held by the group.

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. The scale of operations has also remained modest as reflected in range bound sales Rs.95crore-.Rs.114crore in FY16 to FY 18. However, 9MFY19 revenue has seen growth of 24.74 % on YOY basis in the flagship company.

Profitability susceptible to volatility in foreign exchange risk

In FY18, RPL group derived over 60per cent of its revenue through exports. Further, the group also meets part of its raw material requirement through imports, exposing it to risk arising out of fluctuation in foreign exchange. Though the group covers around 75 per cent of its forex exposure by entering into forward contracts, however the profitability of the group remains vulnerable to fluctuation in foreign exchange on account of the un-hedged portion.

Analytical Approach & Applicable Criteria:

Consolidated

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

For arriving at the ratings, INFOMERICS has combined the business and financial risk profiles of Roto Pumps Limited (flagship Company), Roto Pumps Americas Inc. (wholly owned



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subsidiary), Roto Pumpen GmbH (wholly owned subsidiary) and Roto Overseas Pte. Ltd (JV), together referred to as RPL group.

Liquidity

RPL group is expected to generate adequate accruals over the medium term as against small repayment obligations on vehicle loans. ICR and DSCR of 7.94x and 1.57x in the flagship Company, which avails the entire credit facilities reflect comfortable liquidity. Further, RPL 's bank limits remained moderately utilized at an average of 80 per cent over the twelve months through Feb-19.

About the Company

Founded by Mr Ram Ratan Gupta in 1968, Roto Pumps Limited has been in business for over five decades. 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):

	(Rs. crore)	
For the year ended*	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	100.88	113.92
EBITDA	18.93	21.39
PAT	5.27	8.38
Total Debt	35.19	28.69
Tangible Net worth	55.87	63.95
EBITDA Margin (%)	18.76	18.78
PAT Margin (%)	5.22	7.35

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For the year ended*	31-03-2017	31-03-2018
Overall Gearing Ratio (x)	0.63	0.45

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based working capital Limits – Cash Credit	Long Term	30.00	IVR A- /Stable	-	-	-
2.	Short Term Non-Fund Based Limits – Letter of Credit/Bank Guarantee	Short Term	10.00	IVR A2+	-	-	-

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 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 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.

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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- Cash Credit	-	1Y MCLR+2.10%	On demand	14.00 [*]	IVR A-/Stable
Long Term Bank Facilities- Cash Credit	-	-	On demand	10.00 [^]	IVR A-/Stable
Long Term Bank Facilities- Cash Credit	-	1Y MCLR+1.60%	On demand	5.00 ^{\$}	IVR A-/Stable
Long Term Bank Facilities- Proposed Cash Credit	-	-	-	1.00	IVR A-/Stable
Short Term Bank Facilities – Letter of Credit/Bank Guarantee	-	-	-	2.50 ^{**}	IVR A2+
Short Term Bank Facilities – Letter of Credit/Bank Guarantee	-	-	-	5.00 ^{\$\$}	IVR A2+
Short Term Bank Facilities – Proposed Letter of Credit/Bank Guarantee	-	-	-	2.50	IVR A2+

**Includes sub-limit EPC/PCFC/FBD-8.50crore*

^ Includes sub-limit of WCDL- Rs.8crore, Buyer's credit – Rs.10crore, Pre & Post Shipment Finance EPC & PCFC – Rs.10crore, LC – Rs.10crore-180 days and BG-Rs.9crore-1year

\$ Sub-limit of WCDL/EPC/PCFC/FBD- Rs.5crore

*** LC- Rs.1.25crore; BG-Rs.2.50crore*

\$\$ Sub-limit of LC-Rs.5crore