

## Rating Advisory

June 30, 2020 | Mumbai

### Roto Pumps Limited

#### Advisory as on June 30, 2020

This rating advisory is provided in relation to the rating of Roto Pumps Limited

The key rating sensitivity factors for the rating include:

- Capital expenditure (capex) plans and their funding
- Operating profitability and revenue
- Working capital management
- Movement in foreign exchange (forex) rates

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Roto Pumps Limited (RPL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If RPL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt. Nov 1, 2016, SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dt. June 30, 2017 and SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

#### About the Group

RPL manufactures varieties of industrial pumps, including progressive cavity pumps, and single- and twin-screw pumps. Its pumps are specialised and custom-made, and used in industries where the fluid viscosity is high. These pumps are also used in waste-water treatment, oil and gas, marine, and sugar industries. RPL is listed on the Bombay Stock Exchange and is based in Noida, Uttar Pradesh.

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## Rating Rationale

April 25, 2019 | Mumbai

### Roto Pumps Limited

*Rating outlook revised to 'Positive', rating reaffirmed*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.36.5 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BBB+/Positive (Outlook revised from 'Stable' and rating reaffirmed)</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has revised its rating outlook on the long-term bank facilities of Roto Pumps Limited (RPL; a part of the RPL group) to **'Positive'** from 'Stable', and reaffirmed the rating at **'CRISIL BBB+'**.

The outlook revision reflects a belief that RPL's business and financial risk profiles along with liquidity will continue to improve and remain strong even over the medium term. The group reported higher-than-estimated revenue of Rs 88.8 crore and earnings before interest tax depreciation and amortization of 21.2% in the first nine month of fiscal 2019 as compared to Rs 71.18 crore and 18.6%, respectively, in the same period for fiscal 2018. This is driven by an increased demand in the foreign markets, post stabilization of enhanced capacities. The improved scale of operations and margin led to better cash accrual and liquidity cushion. Further, the group is expected to report revenue growth of around 10 % in fiscals 2020 over fiscal 2019, with the operating margin at 20-21%. Further, total outside liabilities to tangible network worth ratio should remain below 0.5 time over the medium term.

The rating continues to factor in RPL's comfortable profitability and a moderate financial risk profile. These strengths are partially offset by a modest-but-improving scale of operations, and large working capital requirement.

#### Analytical Approach

CRISIL has combined the business and financial risk profiles of RPL, its wholly owned subsidiaries, Roto Pumps Americas Inc., USA (RPA) and Roto Pumpen GmbH, Germany (RPG), Roto Overseas Pte Ltd (ROPL) Singapore along with step down subsidiaries, all collectively referred to as the RPL group, having strong operational and financial linkages.

*Please refer Annexure - Details of Consolidation, which captures the list of entities considered and their analytical treatment of consolidation.*

## Key Rating Drivers & Detailed Description

### **Strengths**

#### **\* Comfortable profitability resulting from the established market position and extensive experience of the promoters**

A presence of over five decades in the high value-added industrial pumps industry with geographically diversified revenue profile and established relationship with customers has led to healthy operating margin of 14-21% over the five fiscals through 2019.

#### **\* Comfortable financial risk profile**

Financial risk profile is expected to be comfortable over the medium term. Networth was comfortable at Rs 64.00 crore as on March 31, 2018, with gearing low at 0.45 time. Debt protection metrics were comfortable: interest coverage and net cash accrual to total debt ratios were 7.9 times and 0.51 time, respectively, for fiscal 2018.

### **Weaknesses**

#### **\* Modest-but-improving scale of operations**

With turnover of Rs 88.8 crore in the nine months of fiscal 2019 and Rs 114.0 crore in fiscal 2018, the scale remains average in the intensely competitive industrial pumps industry with the presence of global players. Although scale is estimated at around Rs 132 crore in fiscal 2019, the company's ability to further ramp up and expand geographically will remain key sensitivity factors over the medium term.

#### **\* Large working capital requirement**

Operations are likely to remain working capital intensive over the medium term. Gross current assets were 208 days as on March 31, 2018, driven by high debtors and inventory of 96 days and 95 days, respectively.

### **Liquidity**

Liquidity is likely to remain adequate. Cash accrual is projected to be more than sufficient over the medium term. Group has no long term debt except vehicle loans. Unencumbered cash and bank balance was Rs 6.0 crore as on March 31, 2019. The cash balance is expected at Rs 15-23 crore over the medium term. Current ratio is estimated at 1.6 times as on March 31, 2019. Average bank limit utilisation for fund based and non-fund based limits stood at about 80% and 77%, respectively, for the 12 months through February 2019.

### **Outlook: Positive**

CRISIL believes RPL will continue to benefit from comfortable operating margin, backed by a dominant presence in the niche high-value industrial pumps segment. The rating may be upgraded if a higher-than-expected growth in revenue, profitability, and cash accrual along with prudent working capital management further strengthens the financial risk profile. Conversely, the outlook may be revised to 'Stable' if lower-than-expected revenue, profitability, and cash accrual, a further stretch in the working capital cycle, or any large, debt-funded capital expenditure weakens the financial risk profile and liquidity.

### **About the Company**

RPL manufactures varieties of industrial pumps, including progressive cavity pumps, and single- and twin-screw pumps. Its pumps are specialised and custom-made, and used in industries where the fluid viscosity is high. These pumps are also used in waste-water treatment, oil and gas, marine, and sugar industries. RPL is listed on the Bombay Stock Exchange and is based in Noida, Uttar Pradesh.

RPA undertakes the sales and marketing of pumps in the US.

RPG undertakes the sales and marketing of pumps in Europe; the operations in the company are suspended.

ROPL Singapore, undertakes the sales and marketing of pumps in Asia and South Africa (through its 100% step down subsidiary company Roto Pumps Africa Pty Ltd).

**Key Financial Indicators**

Particulars	Unit	2018	2017
Revenue	Rs crore	114.0	100.1
Profit after tax (PAT)	Rs crore	8.4	4.8
PAT margin	%	7.4	4.8
Adjusted debt/adjusted networth	Times	0.5	0.6
Interest coverage	Times	7.9	6.0

**Any other information:** Not applicable

**Note on complexity levels of the rated instrument:**

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## Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Cash credit	NA	NA	NA	29.0	CRISIL BBB+/Positive
NA	Non-Fund Based Limit	NA	NA	NA	7.5	CRISIL BBB+/Positive

## Annexure - List of entities consolidated

Entities consolidated
Roto Pumps Americas Inc., USA
Roto Pumps North America Inc
Roto Pumpen GmbH, Germany
Roto Overseas Pte Ltd, Singapore
Roto Pumps Africa Pty Ltd

## Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	29.00	CRISIL BBB+/Positive			16-08-18	CRISIL BBB+/Stable	21-07-17	CRISIL BBB+/Stable	29-01-16	CRISIL BBB+/Stable	CRISIL BBB+/Stable
Non Fund-based Bank Facilities	LT/ST	7.50	CRISIL BBB+/Positive			16-08-18	CRISIL BBB+/Stable	21-07-17	CRISIL BBB+/Stable	29-01-16	CRISIL A2	CRISIL A2

All amounts are in Rs.Cr.

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	29	CRISIL BBB+/Positive	Cash Credit	29	CRISIL BBB+/Stable
Non-Fund Based Limit	7.5	CRISIL BBB+/Positive	Non-Fund Based Limit	7.5	CRISIL BBB+/Stable
<b>Total</b>	<b>36.5</b>	<b>--</b>	<b>Total</b>	<b>36.5</b>	<b>--</b>

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Engineering Sector](#)

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