

## Press Release

### Oswal Pumps Limited (Oswal Pumps)

28 January, 2017

### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs.50.00 Cr
<b>Long Term Rating</b>	SMERA BB+/Stable (Reaffirmed)
<b>Short Term Rating</b>	SMERA A4+ (Reaffirmed)

*\*Refer Annexure for details*

### Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB+ (read as SMERA double B plus)**' and short-term rating of '**SMERA A4+ (read as SMERA A four plus)**' on the above mentioned bank facilities of Oswal Pumps Limited (Oswal Pumps). The outlook continues to be '**Stable**'.

Oswal Pumps, incorporated in 2003 is a limited company located in Karnal, Haryana. The company is engaged in the manufacture of submersible pumps, electrical motors, pipes and cables and wires. The promoters, Mr. Rajeev Gupta, Mr. Vivek Gupta and Mr. Padam Sain Gupta possess three decades of experience in the engineering equipment industry.

### List of key rating drivers and their detailed description

#### Strengths:

**Experienced management and long track record of operations:** Oswal Pumps, incorporated in 2003 is engaged in the manufacturing of submersible pumps for commercial, industrial and agricultural industries. The promoters possess three decades of experience in the engineering equipment industry.

**Moderate financial risk profile:** The moderate financial risk profile is marked by comfortable gearing ratio of 0.76 per cent in FY2016 as compared to 0.72 per cent in FY2015. The interest coverage of the company stands moderate at 1.83 times in FY2016 as against 1.73 times in FY2015. The operating margins declined to 8.92 per cent in FY2016 from 9.59 per cent in FY2015. The net profitability margin declined marginally to 0.46 per cent in FY2016 as compared to 0.55 per cent in FY2015. SMERA expects the profitability to improve in future with improvement in working capital cycle as the company plans to open its own offices across India and eliminate the middleman (distributors) in the supply chain.

#### Weaknesses:

**Stretched working capital cycle:** The company operates in a highly working capital intensive business marked by high gross current assets days of 223 days in FY2016 as compared to 211 days in FY2015.

**Competitive and fragmented market:** The company faces intense market competition which is likely to impact operating performance and profitability.

**Analytical approach:** SMERA has considered the standalone business and financial risk profiles of the company.

**Applicable Criteria:**

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

**Outlook: Stable**

SMERA believes that the company will continue to maintain a stable outlook in the medium term owing to the management's extensive experience and long track of operations. The outlook may be revised to 'Positive' in case of higher than expected revenues while improving the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in profitability or higher than expected debt funded capex.

**About the Rated Entity**

The Haryana-based Oswal Pumps, incorporated in 2003 is engaged in the manufacture of submersible pumps, electrical motors, pipes, cables and wires. The company sells its product through distributors and dealers. It has also setup offices at Delhi, Jaipur, Pune, Nagpur to name a few.

For FY2015-16, the company reported PAT of Rs.0.78 crore on operating income of Rs.168.06 crore as compared with PAT of Rs.0.81 crore on operating income of Rs.145.96 crore in FY2014-15. The net worth stood at Rs.64.09 crore as on 31 March, 2016 against Rs.60.00 crore a year earlier. The net worth of Rs.64.09 crore in FY2016 includes quasi-equity of Rs.37.69 crore.

**Status of non-cooperation with previous CRA (if applicable):** Not Applicable

**Any other information:** Not Applicable

**Rating History for the last three years:**

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	48.75 (enhanced from Rs.9.25 crore)	SMERA BB+/Stable (Reaffirmed)	22 April, 2016	SMERA BB+/Stable (Assigned)	-	-	-	-
Bank Guarantee	ST	1.25 (enhanced from Rs.0.75 crore)	SMERA A4+ (Reaffirmed)	22 April, 2016	SMERA A4+ (Assigned)	-	-	-	-

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	48.75 (enhanced from Rs.9.25 crore)	SMERA BB+/Stable (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	1.25 (enhanced from Rs.0.75 crore)	SMERA A4+ (Reaffirmed)

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

<https://www.smera.in/criteria-complexity-levels.htm>

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**ABOUT SMERA**

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