

Press Release

Rochem Separation Systems India Private Limited

D-U-N-S® Number: 65-023-2619

March 25, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 121.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 121.00 crore bank facilities of Rochem Separation Systems India Private Limited (RSSPL). The outlook is '**Stable**'.

Mumbai based Rochem Separation Systems India Private Limited (RSSPL) was incorporated in 1991 by the Late Mr. Kamlesh Goel as a joint venture between the Concord Enviro group and Rochem AG, Germany. Later in 2006, the Goel family bought the entire stake of Rochem AG in RSSPL. Currently, RSSPL is a wholly owned subsidiary of Concord Enviro Systems Private Limited (CESPL). The directors of the company are Mr. Prayas Goel, Mr. Prerak Goel and Mr. Alipt Sharma.

The company provides environmental engineering solutions with focus on waste water recycling, desalination and industrial solid waste management. The company is engaged in researching, developing, manufacturing and installing its Advanced Membrane Module Technology Based Separation Systems for recovery and reuse of difficult waste water. Further, in addition to this the company provides operation and maintenance services for the same.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of RSSPL to arrive at the rating.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

RSSPL was incorporated in 1991, thus the company has an operational track record of around three decades in industrial machinery industry. The second generations of Goel family, Mr. Prayas Goel (Managing Director) and Mr. Prerak Goel (Director) have an experience of over two decades in the same line of business. The long track record of operations and experience of management has helped the company develop healthy relationships with its customers and suppliers. Acuité believes that RSSPL will sustain its existing business profile on the back of established track record of operations and experienced management.

- Diverse portfolio of services and clientele**

The company provides environmental engineering solutions with focus on waste water recycling, desalination and industrial solid waste management. The company is engaged in researching, developing, manufacturing and installing of Advanced Membrane Module Technology Based Separation Systems for recovery and reuse of difficult waste water. Further, in addition to this the company provides operation and maintenance services for the same which comprises of ~34 percent of the total operating income for FY2018. The company caters to diversified industries and reputed clientele which includes government (25 percent) as well as corporate customers (75 percent). The company caters to both public (government and defense) and private customers such as Indian Navy, ACC Limited, Jubilant Life Sciences Limited and Lupin Limited, to name a few. Acuité believes that the company will benefit from its established and long standing relationship with its existing clients.

- **Above Average financial risk profile**

The financial risk profile of the company remained above average marked by above average net worth, debt protection metrics and coverage indicators. The net worth of RSSPL stood at Rs. 120.84 crore (includes quasi equity of Rs. 28.55 crore) as on 31 March 2018 as against Rs. 102.58 crore (includes Rs. 13.51 crore of quasi equity) as on 31 March 2017. The gearing (debt-equity) stood at 0.47 times as on 31 March 2018 as against 0.78 times as on 31 March 2017. The total debt of Rs. 56.31 crore as on 31 March 2018 mainly comprises Rs. 47.14 crore of working capital borrowings, Rs. 4.66 crore of unsecured loans and Rs. 4.50 crore of long term debt. The coverage indicators are above average marked by Interest Coverage Ratio (ICR) which stood at 2.90 times for FY2018 as against 2.49 times for FY2017. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.40 times in FY2018 and 0.17 times in FY2017. Debt to EBITDA stood at 1.79 times in FY2018 as against 2.80 times in FY2017. Acuite believes that the financial risk profile of the company is expected to remain moderate backed by moderate net cash accruals and in absence of any major debt funded capex in near to medium term.

Weaknesses

- **Working capital intensive operations**

The company's working capital operations are intensive marked by Gross Current Assets (GCA) of 350 days for FY2018 as against 343 days in the previous year. Debtors stood high at 216 days for FY2018 as against 218 days for FY2017. However, debtors more than six months stood at Rs. 14.80 crore as on 31 March 2018. Since around 51% of total revenues are generated in last quarter, the elongation of working capital cycle mainly pertains to year end phenomenon. Inventory level stood at 140 days for FY2018 as against 131 days for FY2017. However, the average bank limit utilization stood at 85.65 percent for the past six months ending January 2019.

- **Highly competitive and fragmented nature of industry**

RSSPL operates in a highly fragmented industry with large number of organized and unorganized players present in the market. However the risk is mitigated to an extent on account of established track record of operations.

Liquidity Position

The company has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 22.59 crore for FY2018 while its maturing debt obligations were Rs. 3.13 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 24.50 crore to Rs. 27.00 crore during 2019-21 against no major repayment obligation. The company's working capital operations are intensive marked by gross current asset (GCA) days of 350 days for FY2018. The company maintains unencumbered cash and bank balances of Rs. 0.14 crore as on 31 March 2018. The current ratio stands at 1.29 times as on 31 March 2018. Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

Outlook: Stable

Acuite believes that RSSPL will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations, experienced management and reputed clientele. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	235.83	202.16	222.21
EBITDA	Rs. Cr.	30.71	25.46	0.00
PAT	Rs. Cr.	13.59	5.72	0.00
EBITDA Margin	(%)	13.02	12.59	13.41
PAT Margin	(%)	5.76	2.83	3.66
ROCE	(%)	11.96	11.06	27.34
Total Debt/Tangible Net Worth	Times	0.47	0.78	0.88
PBDIT/Interest	Times	2.90	2.49	2.70
Total Debt/PBDIT	Times	1.79	2.80	2.60
Gross Current Assets (Days)	Days	350	343	324

Status of non-cooperation with previous CRA (if applicable)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00**	ACUITE BBB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00!	ACUITE BBB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	21.50*	ACUITE BBB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.50	ACUITE BBB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.15	ACUITE BBB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	6.45	ACUITE BBB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00%	ACUITE A3+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00@	ACUITE A3+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	11.00^^	ACUITE A3+
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.40##	ACUITE A3+

Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00#	ACUITE A3+
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00^	ACUITE A3+
Proposed	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3+

* Includes sublimit of INR/ Foreign currency working capital demand loan to the extent of Rs. 17.00 crore, Import/Inland Letter of credit-1 to the extent of Rs. 8.00 crore, Import/Inland Letter of credit-2 to the extent of Rs. 8.00 crore and Bank Guarantee to the extent of Rs. 8.00 crore.

Includes sublimit of Bank Guarantee to the extent of Rs. 8.00 crore, Import/Inland Letter of credit to the extent of Rs. 8.00 crore and shipping guarantee facility to the extent of Rs. 2.00 crore.

^ Includes sublimit of Bank Guarantee to the extent of Rs. 5.00 crore.

** Two-way interchangeability with limits including working capital demand loan, working capital in foreign currency, Line of credit for short term loans and one time short term loans to the extent of Rs. 9.00 crore each.

Two-way interchangeability with letter of undertaking to the extent of Rs. 1.40 crore.

^^ Fully interchangeable with both Inland & Foreign Letter of Credit to the extent of Rs. 2.00 crore and Financial Guarantee to the extent of Rs. 4.50 crore. It also includes sublimit of Bank Guarantee (GOV) to the extent of Rs. 3.00 crore and Bank Guarantee (PRV) to the extent of Rs. 1.50 crore.

% Fully interchangeable with Letter of Credit of Rs.10.00 crore.

@ Fully interchangeable with Bank Guarantee of Rs.10.00 crore.

! Rs. 5.00 crore can be utilized as fund based facility (Cash Credit) from non fund based facilities (BG & LC) subject to availability of drawing power.

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About Acuité Ratings & Research:

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