

Press Release

Rochem Separation Systems India Private Limited

May 19, 2022



Rating Assigned, Reaffirmed and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	-	ACUITE A3+ Reaffirmed & Withdrawn
Bank Loan Ratings	28.00	-	ACUITE A3+ Reaffirmed
Bank Loan Ratings	7.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	7.35	ACUITE BBB Reaffirmed & Withdrawn	-
Bank Loan Ratings	93.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	128.00	-	-
Total Withdrawn Quantum (Rs. Cr)	27.35	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as ACUITE triple B) and the 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**'.

Further, Acuite has reaffirmed and withdrawn the long term rating of 'ACUITE BBB' (read as ACUITE triple B) and the short-term rating of 'ACUITE A3+' (read as Acuite A three plus) on the Rs. 27.35 crore bank facilities of RSSPL. The rating is being withdrawn on account of client's request and as per Acite's withdrawal policy.

Additionally, Acuite has assigned a long term rating of 'ACUITE BBB' (read as ACUITE triple B) on the Rs. 7 crore long term bank facilities of RSSPL. The outlook is '**Stable**'.

Rationale for Rating

The rating reaffirmation takes into account the extensive experience of RSSPL's management, long track record of operations and healthy financial risk profile. It also draws comfort from RSSPL's diverse stream of revenues and reputed clientele. However, the rating remains constrained by demand risk linked to capex plans of corporates and high working capital intensity of RSSPL's operations with Gross Current Assets (GCA) of over 300 days in FY2022 (Provisional). The company's ability to maintain its working capital cycle without further elongation will continue to remain a key rating sensitivity.

About the Company

Acuite Ratings & Research Limited

www.acuite.in

Mumbai based RSSPL was incorporated in 1991 by the Late Mr. Kamlesh Goel as a joint venture between the Concord Enviro group and Rochem Separation Systems AG, Germany (Rochem AG). 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. RSSPL 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

Acuite has considered the standalone business and financial risk profile of RSSPL while arriving at the rating.

Key Rating Drivers

Strengths

Extensive experience of the management and established track record of operations

RSSPL was incorporated in 1991, thus the company has an operational track record of around three decades in industrial machinery industry. The second generation 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.

Acuite believes that RSSPL will sustain its existing business profile on the back of established track record of operations and experienced management.

Diverse portfolio of revenue streams and clientele

RSSPL 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 wastewater. The company is also involved in trading and replacement of spare parts used in its treatment plants. Further, in addition to this the company also provides maintenance services to its clients which includes specialised manpower services to operate and maintain the commissioned plants at client site. This helps the company in generating a continued source of income in the absence of new orders. Its 9M FY2022 (Provisional.) revenue from manufacturing, services and trading stood at Rs. 82.69 crore, Rs. 62.84 crore and Rs. 40.41 crore respectively. In FY2021, the company reported total revenues of Rs. 291 crore with its manufacturing, services and trading revenues at Rs. 162.62 crore, 97.98 crore and Rs. 30.49 crore respectively. The same stood at Rs. 183.73 crore, Rs. 97.61 crore and Rs. 53.14 crore in FY2020. The diverse stream of revenues gives some mitigation against any volatility in revenue from new orders. During FY2021 & FY2022 the revenue from services has remained stable despite a decline in overall revenue on account of adverse impact of COVID 19 pandemic and subsequent lockdowns. 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 defence) and private customers such as Indian Navy, ONGC, ACC Limited, Jubilant Life Sciences Limited and Lupin Limited, to name a few.

Acuite believes that RSSPL will benefit from its diverse revenue streams and clientele.

Healthy financial risk profile

The financial risk profile of the company remained healthy marked by adequate net worth, debt protection metrics and coverage indicators. The net worth of RSSPL stood at Rs. 135.53 crore as on March 31, 2022 (Provisional) as against Rs. 126.80 crore as on March 31, 2021. The gearing (debt-equity) stood on similar levels at 0.58 times as on March 31, 2022 (Provisional) and March 31, 2021. The coverage indicators are comfortable reflected in

the Interest Coverage Ratio (ICR) which stood at 3.34 times for FY2022 (Provisional) as against 2.97 times FY2021. The interest cost has reduced substantially owing to the fact that the company has been able to negotiate with the bankers for a better rate (Current average interest rate between 9-9.5% ; previously between 10% -10.5%). Moreover, company has shifted almost 60% of its working capital utilisations to WCDL which attracts lesser interest rates and are payable at fixed intervals. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.22 times in FY2022 (Provisional) and 0.26 times in FY2021. Debt to EBITDA stood at 2.70 times in FY2022 (Provisional) as against 2.19 times in FY2020. The gearing is expected to range in 0.50 – 0.70 times for FY2022-23 as there are no significant capex plans funded by debt.

Acuité believes that the financial risk profile of the company is expected to remain stable in absence of any major debt funded capex in near to medium term.

Weaknesses

Working capital intensive nature of operations

The company's operations are working capital intensive marked by Gross Current Assets (GCA) of 336 days for FY2022 (Provisional) as against 314 days in the previous year. Receivable period stood at 202 days for FY2022 (Provisional) as against 186 days for FY2021. This is primarily because ~58 percent of total revenue is generated in last two quarters of the financial year, the elongation of working capital cycle mainly pertains to year end phenomenon. Also ~25 percent of orders come from Government entities where debtor days are longer vis-à-vis corporate clients. Inventory level stood at 128 days for FY2022 (Provisional) as against 124 days for FY2021. This is primarily because the company also trades in spare parts for which it has to maintain some inventory above the normal requirement for its already executed projects.

Acuité believes RSSPL's ability to maintain its working capital cycle and restrict further elongation of will remain a key monitorable.

Revenue growth linked to capex plans of clients

The company generates substantial revenues from its manufacturing segment which is its primary business and accounts for more than 50 percent of its total revenue. Every treatment plant is customised and manufactured basis client requirement and specification which is an additional cost for clients. Hence commissioning and executing new orders remains dependent on capital expenditure plans of its clients. However, with government impetus on environmental awareness more participants are expected to undertake waste water treatment and projects thus reducing demand risk to some extent for RSSPL.

Rating Sensitivities

- Ability to maintain its working capital cycle and restrict further elongation of receivable position
- Ability to maintain its scale of operations without deterioration in its profitability

Material covenants

None

Liquidity Position: Adequate

The company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 17.04 crore for FY2022 (Prov.) while its maturing debt obligations were Rs. 6.32 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 17-19 crore during 2022-23 against repayment obligations in the range of Rs.5 -6 crores. The company's operations are working capital intensive marked by gross current asset (GCA) days of 336 days for FY2022(Prov.) which increases its dependency on the working capital borrowings. The average working capital utilisation remained at around 70% ending March 2022. The company maintains unencumbered cash and bank balances of Rs. 0.30 crore as on March 31, 2022 (Prov.). The current ratio stands at 1.51 times as on March 31, 2022(Prov.). Company's overall liquidity position will remain adequate over the medium term on account of adequate cash accruals to maturing debt obligations however constrained to some extent on account of working capital-intensive operations.

Outlook: Stable

Acuité 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. 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 significant elongation in working capital cycle affecting its liquidity position.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	291.77	335.39
PAT	Rs. Cr.	8.77	10.86
PAT Margin	(%)	3.01	3.24
Total Debt/Tangible Net Worth	Times	0.58	0.69
PBDIT/Interest	Times	2.95	2.91

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Jul 2021	Cash Credit	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	23.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	17.50	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	14.00	ACUITE A3+ (Reaffirmed)
	Working Capital Term Loan	Long Term	2.35	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	4.50	ACUITE A3+ (Reaffirmed)

	Letter of Credit	Short Term	7.50	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Short Term	10.65	ACUITE A3+ (Reaffirmed)
16 Apr 2020	Proposed Bank Facility	Short Term	3.90	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	8.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	10.95	ACUITE BBB Negative (Reaffirmed)
	Letter of Credit	Short Term	4.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BBB Negative (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	0.15	ACUITE BBB Negative (Reaffirmed)
	Bank Guarantee	Short Term	14.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	23.50	ACUITE BBB Negative (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
			Long Term	
25 Mar 2019	Cash Credit	Long Term	23.50	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Long Term	6.45	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	11.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Short Term	10.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	1.40	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A3+ (Assigned)
	Term Loan	Long Term	0.15	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	21.50	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A3+ Reaffirmed
IDBI Bank Ltd.	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3+ Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB Stable Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.50	ACUITE BBB Stable Reaffirmed
Standard Chartered Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.50	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BBB Stable Reaffirmed
IDFC First Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB Stable Reaffirmed
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB Reaffirmed & Withdrawn
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB Stable Assigned
Standard Chartered Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A3+ Reaffirmed
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A3+ Reaffirmed
IDBI Bank Ltd.	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3+ Reaffirmed & Withdrawn
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Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	2.35	BBB Reaffirmed & Withdrawn
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*Bank Of India CC limit of Rs. 23.50 crore has an interchangeability from fund based limit to non fund based limit to the tune of Rs 18.50 crores for LC issuance only.

**Standard Chartered Bank CC limit of Rs. 17.50 crore has an interchangeability from fund based limit to non-fund based limit to the tune of Rs 15 crore restricted at Rs. 7.50 crores for LC and & Rs. 7.5 crore for BG Issuance.

***Indusind Bank total CC limit of Rs. 25 crore is fully interchangeable with ILC/FLC/BG/Standby LC however each non fund based instrument to not exceed Rs.15 crore.

****IDFC First Bank CC limit of Rs 25 crore can be availed as LC/BG/SBLC upto the tune of Rs 20 crore and BG/SBLC for buyer's credit upto the tune of Rs. 10 crore as it is the sublimit of CC

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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