



**Press Release**  
**Rochem Separation Systems India Private Limited**  
**August 02, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	75.00	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	53.00	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	128.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) and the short-term rating of '**ACUITE A3+**' (read as **Acuite A three plus**) on the Rs. 128.00 crore bank facilities of Rochem Separation Systems (India) Private Limited (RSSPL). The outlook is '**Stable**'.

**Rationale for rating reaffirmation**

The rating reaffirmation considers RSSPL's long track record of operations, healthy financial risk profile and adequate liquidity position. The rating also draws comfort from RSSPL's established market position in providing wastewater management services along with diverse stream of revenues and repeated orders from reputed clientele. The rating is however constrained by intensive working capital operations, volatile profitability margins and relatively lower scale of operations that are linked to capex plans of industries.

Going forward, company's ability to scale up its operations thereby maintaining its margins will remain one of the key rating sensitivities.

**About the Company**

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 Limited (CESL). The directors of the company are Mr. Prayas Goel, Mr. Prerak Goel, Mr. Abhishek Loonker, Mr. Kamal Sandeep Shanbhag 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, established track record of operations and reputed clientele**

RSSPL was incorporated in 1991, thus the company has an operational track record of around three decades in industrial machinery segment. 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 extensive experience of the management has helped the company create an established market position in the waste-water management segment and develop healthy relationships with its customers and suppliers. Company caters to some of the reputed clientele which includes names like Jubilant Life Sciences Limited, Lupin Limited, Grasim Industries etc. Apart from this, company also caters to government entities like ONGC and Indian Navy as well. Acuité believes that RSSPL will sustain its existing business profile on the back of established track record of operations and diversified clientele.

### **Continued source of income supported by diverse revenue streams**

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. Along with manufacturing of recycling plants the company is also involved in trading and replacement of spare parts used in its treatment plants. Furthermore, RSSPL also provides after sale and maintenance services on a monthly contract basis which includes specialised manpower services to operate and maintain (O&M services) the commissioned plants at client site. This helps the company in generating a continued source of income in the absence of new orders. Its FY2023 (Provisional.) revenue from manufacturing, O&M and trading businesses stood at Rs. 146.39 Cr. Rs. 106.99 Cr. and Rs. 50.46 Cr respectively aggregating to a total revenue of around Rs 305 Cr and a growth of around 7% over the earlier year. In FY2022, the company reported total revenues of around Rs. 284 crore with its manufacturing, O&M and trading revenues at Rs. 151.81 Cr, 86.23 Cr. and Rs. 40.41 Cr. respectively. The diverse stream of revenues gives some mitigation against any volatility in revenue from new orders. Further, the company caters to diversified industries and reputed clientele which includes government (12 percent) as well as corporate customers (88 percent).

Acuité believes that RSSPL will benefit from its diverse sources of revenues over the medium term.

### **Healthy financial risk profile.**

The financial risk profile of the company is healthy marked by adequate net worth, and debt coverage indicators. The tangible net worth of RSSPL stood at Rs. 112.27 Cr. as on March 31, 2023 (Provisional) as against Rs. 102.69 Cr. as on March 31, 2022. The company follows a conservative leverage policy as reflected in its healthy gearing (debt-equity) of 0.82 times as on March 31, 2023 (Provisional) against 0.93 times as on March 31, 2022. Despite marginal deterioration in the operating margin during FY2023 (Provisional) the coverage indicators stood comfortable with Interest Coverage Ratio (ICR) and DSCR at 2.75 times and 2.39 times as against 3.00 times and 2.27 times in FY2022. Further, NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.27 times in FY2023 (Provisional) and 0.25 times in FY2022. Debt to EBITDA stood at 2.36 times in FY2023 (Provisional) as against 2.39 times in FY2022. Going forward, the gearing is expected to range in 0.80 – 0.70 times for FY2024-25 as there are no significant capex plans funded by debt apart from some planned working capital enhancements.

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 although improved but high Gross Current Assets (GCA) of 261 days for FY2023 (Provisional) as against 284 days in the previous year. Receivable period stood at 112 days for FY2023 (Provisional) as against 137 days for FY2022. This is primarily because company has a trend of generating higher revenues in the last two quarters of the financial year. Around 64% of the total revenues have been generated in Q3 & Q4 of FY2023. Further, certain orders come from Government entities where company needs to extend longer credit period vis-à-vis corporate clients. Inventory

level stood at 118 days for FY2023 (Provisional) as against 133 days for FY2022. Higher inventory days are marked by its trading business of 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.

### **Volatile profitability margins**

RSSPL generates revenues through diverse revenue streams including manufacturing, trading & O&M services. O&M services includes providing specialised manpower for smooth operations of the commissioned plants at client site. In order to provide the same, RSSPL has to invest in skilled engineers and labour force which increases its fixed cost to a certain extent. During FY2023(Provisional) company's revenue contribution through its O&M business stood at around 38% against 31% in FY2022 and the EBITDA margins during the same period deteriorated at 11.17% against 13.35% in FY2022. Further, lower margins were also contributed by increase in overall selling & admin expenses.

Acuité believes RSSPL's ability to maintain adequate EBITDA margins will remain a key rating sensitivity.

### **Relatively lower scale of operations as 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 scale up operations without significant deterioration in its profitability.
- Ability to maintain its working capital cycle and restrict further elongation of receivable position.
- Any deterioration in the financial risk profile lead by increased working capital borrowings.

### **Material covenants**

None

### **Liquidity Position Adequate**

The company has an adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of around Rs. 24 Cr. for FY2023 (Provisional.) while its maturing debt obligations were around Rs. 4.3 Cr. for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 24-30 crore during 2024-25 against repayment obligations in the range of Rs.1.5-2.5 Cr. However, company's operations are working capital intensive marked by although improved, but high gross current asset (GCA) days of 261 days for FY2023(Provisional.) which increases its dependency on the working capital borrowings. The average working capital utilisation remained at around 78% ending June 2023. The company maintains unencumbered cash and bank balances of Rs. 16 Cr as on March 31, 2023 (Provisional.). The current ratio stood sufficient at 1.40 times as on March 31, 2023(Provisional.).

Acuité believes that 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 significant elongation in the working capital cycle affecting its financial risk profile and liquidity position.

**Other Factors affecting Rating**

Not Applicable

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	305.80	284.21
PAT	Rs. Cr.	10.40	7.62
PAT Margin	(%)	3.40	2.68
Total Debt/Tangible Net Worth	Times	0.82	0.93
PBDIT/Interest	Times	2.75	3.00

### 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>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 May 2022	Cash Credit	Long Term	7.00	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	23.50	ACUITE BBB   Stable (Reaffirmed)
	Letter of Credit	Short Term	4.50	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Withdrawn)
	Working Capital Term Loan	Long Term	2.35	ACUITE BBB (Withdrawn)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Withdrawn)
	Letter of Credit	Short Term	7.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	17.50	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	14.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB (Withdrawn)
08 Jul 2021	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)
	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)
		Long		ACUITE BBB   Stable



	Cash Credit	Term	9.00	(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)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE A3+   Reaffirmed
Indusind Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	8.80	ACUITE A3+   Reaffirmed
IDFC First Bank Limited	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	6.20	ACUITE A3+   Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	16.20	ACUITE BBB   Stable   Reaffirmed
IDFC First Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.80	ACUITE BBB   Stable   Reaffirmed
Standard Chartered Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE BBB   Stable   Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.50	ACUITE BBB   Stable   Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE BBB   Stable   Reaffirmed
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A3+   Reaffirmed
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.50	ACUITE A3+   Reaffirmed
Standard Chartered Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE A3+   Reaffirmed

**\*Bank Of India limits have interchangeability from fund-based limit to non-fund-based limit to the tune of Rs 18.50 Cr. for LC issuance only.**

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

**\*\*\*Indusind Bank total limits of Rs. 25 Cr. are fully interchangeable with ILC/FLC/BG/Standby LC however each non-fund-based instrument to not exceed Rs.15 Cr.**

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

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Jaitashree Hukerikar Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:jaitashree.hukerikar@acuite.in">jaitashree.hukerikar@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.