



Press Release
Rochem Separation Systems India Private Limited
October 04, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.80	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	85.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	6.20	-	ACUITE A3+ Assigned
Bank Loan Ratings	43.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	148.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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. 128.00 crore bank facilities of Rochem Separation Systems India Private Limited (RSSPL). The outlook remains ‘**stable**’.

Further, Acuite has assigned 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. 20.00 crore bank facilities of Rochem Separation Systems India Private Limited (RSSPL). The outlook is ‘**Stable**’.

Rationale for Rating

The reaffirmation takes into account the stable revenue growth of the company for the past few years, healthy financial risk profile and comfortable debt protection indicators. There has been a decline in the EBITDA margin due to increase in the material cost. The EBITDA margin declined to 8.47 percent in FY2024 from 10.86 percent in FY2023. Despite a decline in the operating profit, the PAT margin improved to 3.28 percent in FY2024 as against 2.60 percent in FY2023. The rating draws comforts from the experienced management which has an established track record of operations. Further, the company has reputed clientele such as Mahindra & Mahindra, Cipla, Larsen & Toubro Limited and Oil & Natural Gas Corporation Limited amongst others. However, these strengths are partially offset by the declining operating margins and working capital-intensive operations of the company.

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 waste water 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.

Unsupported Rating

Not Applicable

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 FY2024, the revenue from manufacturing & trading segment stood at Rs. 238.95 Cr. and O&M segment stood at Rs.107.71 Cr. 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 as well as corporate customers.

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

Healthy Financial Risk Profile

The healthy financial risk profile of the company is supported by increasing net worth and comfortable debt protection indicators. The tangible net worth of the company stood at Rs.120.05 Cr. on March 31, 2024 as against Rs. 110.00 Cr. on March 31, 2023. Increase in net worth is on account of accretion of profit to reserves. The gearing increased marginally to 0.74 times on March 31, 2024 as against 0.62 times on March 31, 2023. The increase in gearing is on account of higher utilisation in the working capital limits. Going forward the gearing is expected to remain in a similar range as the company has availed additional working capital limits in FY2025. TOL/TNW stood at 1.65 times on March 31, 2024 as against 1.64 times on March 31, 2023. Debt-EBITDA stood higher at 2.34 times on March 31, 2024 as against 1.75 times on March 31, 2023 due to increase in the debt levels of the company.

The debt protection indicators stood comfortable with Interest Coverage Ratio at 3.23 times in FY2024 as against 2.75 times in FY2023 and Debt Service Coverage Ratio at 2.52 times in FY2024 as against 2.24 times in FY2023. 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 Operations

The intensive working capital operations of RSSPL are reflected through high Gross Current Assets (GCA) of 277 days on March 31, 2024 as against 259 days on March 31, 2023. GCA days are supported by debtor days and inventory days. The inventory days stood at 122 on March 31, 2024 as against 118 days on March 31, 2023. The company is also involved into trading of spares and accessories and needs to maintain a stock of spares at disposal which contributes to higher inventory holding period. The debtor days stood at 130 on March 31, 2024 as against 112 days on March 31, 2023. For manufacturing segment, the company receives payment in tranches (15% on advance, 10% on drawing submission, 35% before dispatch, 30% post-dispatch / completion of commissioning and 10% on submission of performance bank guarantee). For O&M and Trading business, the company provides a credit period of 60 to 90 days. Further, significant revenue is generated in the last quarter, elongation of working capital cycle is also attributed to this year end phenomenon. On the other hand, the company receives an average credit period of 90 – 120 days from its suppliers. The average bank limit utilisation stood at 89 for six months ended August 2024.

Going forward, the company's ability to restrict further elongation of working capital cycle will be a key monitorable.

Declining profitability margins

There has been a declining trend in the operating profitability of RSSPL for the past three years. The EBITDA

margin declined to 8.47 percent in FY2024 from 10.86 percent in FY2023 from 13.19 percent in FY2022. The company generates substantial revenues from its manufacturing segment which is its primary business and accounts for around 50 percent of its total revenue. Increase in the material costs and relatively lower profitability in overseas orders, has led to the decline in the EBITDA margin of the company over the years. Along with that, every treatment plant is customised and manufactured basis client requirement and specification, which increases the cost. Going further, the ability of the company to improve the operating profitability will be a key monitorable.

Rating Sensitivities

- Improvement in operating profitability, while maintaining stable revenue growth.
- Ability to restrict further elongation of working capital cycle.
- Significant deterioration in the financial risk profile.

Liquidity Position

Adequate

The liquidity position of the company is adequate, marked by sufficient Net Cash Accruals (NCAs) against maturing debt obligations. RSSPL generated NCA of Rs. 22.19 Cr. against maturing repayment obligation of Rs.1.71 Cr. The cash accruals of the company are estimated to remain in the range of Rs. 24 to 29 Cr. for FY2025 – FY2026 against repayment obligations in the range of Rs.0.40 to 2.05 Cr. The operations of the company are working capital intensive, indicated by high GCA of 277 days on March 31, 2024. This increases their reliance on working capital limits. The average bank limit utilization stood at 86.35 percent for six months ended August 2024. The company has an unencumbered cash and bank balance of Rs. 4.54 Cr. as on March 31, 2024. The current ratio stood at 1.39 times on March 31, 2024.

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 further decline in operating profitability or significant elongation in the working capital cycle affecting its financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	348.15	304.83
PAT	Rs. Cr.	11.43	7.92
PAT Margin	(%)	3.28	2.60
Total Debt/Tangible Net Worth	Times	0.74	0.62
PBDIT/Interest	Times	3.23	2.75

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

Not Applicable

Any other information

None

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>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Aug 2023	Bank Guarantee/Letter of Guarantee	Short Term	14.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	12.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	7.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	4.50	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	8.80	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	6.20	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	12.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	18.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	16.20	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	18.80	ACUITE BBB Stable (Reaffirmed)
19 May 2022	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed & Withdrawn)
	Bank Guarantee/Letter of Guarantee	Short Term	14.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	4.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	5.00	ACUITE BBB (Reaffirmed & Withdrawn)
	Working Capital Term Loan	Long Term	2.35	ACUITE BBB (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	17.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	23.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	10.65	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	4.50	ACUITE A3+ (Reaffirmed)

08 Jul 2021	Letter of Credit	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	14.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	2.35	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term 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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	14.00	Simple	ACUITE A3+ Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.80	Simple	ACUITE A3+ Reaffirmed
IDFC First Bank Limited	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.20	Simple	ACUITE A3+ Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.20	Simple	ACUITE A3+ Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE BBB Stable Reaffirmed
IDFC First Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.80	Simple	ACUITE BBB Stable Reaffirmed
Standard Chartered Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.50	Simple	ACUITE BBB Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	23.50	Simple	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.20	Simple	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.80	Simple	ACUITE BBB Stable Assigned
Standard Chartered Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB Stable Assigned
Standard Chartered Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.50	Simple	ACUITE A3+ Reaffirmed
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE A3+ Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.50	Simple	ACUITE A3+ Reaffirmed

*Standard Chartered Bank having total facility of Rs. 35 Cr. has an interchangeability from fund-based limit to non-fund-based limit to the tune of Rs 30 Cr. restricted at Rs. 15 Cr. for LC and Rs. 15 Cr. for BG Issuance.

**Indusind Bank total limits of Rs. 35 Cr. are fully interchangeable with non-fund-based instruments ILC/FLC not exceeding Rs.20 Cr. and Rs. 15 Cr. for issuance of BG/Standby LC.

***IDFC First Bank having total limit of Rs 25 Cr. are fully interchangeable with non-fund-based limit.

****ICICI Bank has an interchangeable facility of LC limit to BG limit of Rs. 4.5 Cr.

*****Bank of India having fund based limit of Rs. 23.50 Cr. has an interchangeability to non-fund-based limit to the tune of Rs18.50 Cr. for LC issuance only.

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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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