

Oswal Pumps Limited

April 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE BBB+; Stable / CARE A2 and withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Oswal Pumps Limited (OPL) has been reaffirmed at CARE BBB+; Stable /CARE A2 and simultaneously withdrawn with immediate effect. The aforesaid action has been taken at the request of the company, 'No Objection Certificate' and 'No Due Certificate' received from the banks that have extended the facilities rated by CARE Ratings. The reaffirmation of ratings assigned to the bank facilities of OPL continues to derive benefits from experienced promoters with long track record of operations of over two decades in the manufacturing of submersible pumps. The ratings also continue to derive comfort from integrated nature of operations with complete backward integration for manufacturing of submersible pumps resulting into benefits in terms of overall production cost. The ratings also continue to take comfort from sustained growth in scale of operations and comfortable financial risk profile. The ratings also take cognizance of favourable growth prospects with government's impetus on installation of solar pumps as well as solarization of existing pumps.

These rating strengths however, continue to remain constrained by high customer concentration risk, relatively longer operating cycle primarily attributed towards higher collection period, susceptibility of profitability margins to volatility in the raw material prices and highly competitive nature of the pump industry.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

Key strengths

Experienced promoters with long track record of operations

The promoters of the company have experience of over three decades into the industry which has helped the company to establish its footprint in the market and get a timely entry into solar pump manufacturing. The Company has operational track record of over two decades in the manufacturing of submersible pumps, monoblock pumps, electric motors and solar pumps catering to building services, agricultural and industrial sectors. Over the years, company has built strong execution capabilities resulting into more diversified product mix within a particular product category, continuously added new customers and has built a wide distribution network of over 2000 distributors/dealers all over India.

Integrated nature of operations

Company is involved into manufacturing of submersible pumps, monoblock pumps, electric motors and solar pumps. For manufacturing of all these products, company's operations are back ward integrated with its own in-house plant such as electrical stamping unit, winding wire plant, packaging unit, enamel wire plant, cable manufacturing unit, cl casting plant, automatic winding unit, SS pipe plant, investment casting plant, aluminium die-casting plant, injection plastic moulding plant and thrust bearing plant. The integration in operations results in favourable overall cost structure.

Favourable growth prospectus with government's impetus on renewable energy

The government is emphasizing use of solar pumps by providing capital subsidy for installation of solar pumps as well as solarization of existing pumps to reduce the consumption of grid power (which is heavily subsidized by the state government or is provided entirely free of cost). For this, government has launched various schemes including Kisan Urja Suraksha Evam Utthaan Mahaabhiyan (KUSUM). Hence the same has boosted the demand of solar submersible pumps. Going forward, the business risk profile of the company is expected to further improve on account of government policy to replace grid pumps by solar pumps resulting into increased demand for solar pumps.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Growing scale of operations

The scale of operation of the company has grown with OPL reporting a total operating income of Rs. 392.75 crore during FY23 (refers to the period April 01 to March 31) as against Rs. 389.15 crore in FY22. The company has further reported growth in total operating income to Rs. 495.24 crores in 9MFY24 (refers to the period April 01 to Dec 31). The growth in operating income is largely on account of continuous increase in the demand for solar submersible pumps due to various initiative by the central government like PM Kusum in which the government providing subsidy benefits in order replace grid pumps with solar pumps.

Comfortable financial risk profile

The company has comfortable financial risk profile characterised by healthy profitability margins, satisfactory overall gearing and debt coverage indicators. The Company has reported consistent improvement in its profitability margins over the past 5-6 years. PBILDT & PAT Margin improved to 16.04% & 9.52% respectively in FY23 from 15.90% & 8.60% respectively in FY22. The profitability margins of the company improved in the past few years mainly on account of increasing share of solar submersible pumps in the overall revenue mix on account of government's impetus on renewable energy which has boosted the demand for solar submersible pumps and the same has eventually resulted in better realizations.

The overall gearing improved to 0.55x in FY23 (PY: 1.32x) on account of reduction in overall debt along with accretion of profits to reserves. Debt coverage indicators stood satisfactory as characterized by interest coverage of 11.41x (PY: 8.97x), Total Debt/PBILDT & Total Debt/GCA of 0.88x & 1.22x respectively in FY23 (PY: 1.42x & 2.12x).

Key weaknesses

Customer concentration risk

Company generates majority of the sale from two customers i.e., ~71% of the total sales in FY23 as against ~54% in FY22. Hence this reflects high customer concentration risk. However, the same is mitigated to some extent by long association with the major customers and further company is having strategic relationship with some of the major customers which results in medium term revenue visibility for the demand.

Working capital intensive nature of operations

The operations of the OPL's are likely to remain working capital intensive with gross current assets of 168 days as of March 31, 2023, against 156 as of March 31, 2023. The high working capital intensity is driven by a large inventory requirement because most of the processes of the company are backward integrated and furthermore conversion cycle is longer. Company allows credit period of 60-90 days to its customers and receives credit period of 40-60 days from its suppliers. The average month end utilization of fund-based limit for last March 31, 2024 also stood at 69.19%.

Exposure to volatility in raw material prices

The primary raw materials used for the manufacturing of pumps include stainless steel, copper, etc. The prices of these materials are inherently volatile and are driven largely by global as well as local demand and supply conditions. The company's profit margins are also exposed to pricing pressures because of sizeable presence in the agricultural pumps segment.

Highly competitive nature of industry

The demand for the electrical pumps industry is driven primarily by growth in infrastructure, new sources of water, increase in irrigated cultivation area, increase in urban density, and the need for energy-efficient solutions. India is a strong base for the manufacturing of pumps with presence of more than 800 pump manufacturers including international players. India's low cost manufacturing and local demand has made it a profitable proposition. The presence of international players in the market has led to a significant up-gradation in technology leading to better solutions for end users. Company's presence is largely concentrated in agricultural pump segment and its ability to diversify into other segments (viz, industrial pumps, household pumps, EPC, etc.) as well as into other related activities (viz, manufacturing of pipes, etc.) would remain critical in sustaining the growth in the future.

Liquidity: Adequate.

The liquidity position of the company is adequate. The average utilization of the working capital limits remained comfortable at ~69.19% for the last twelve-month period ended March 2024. The current ratio stood at 1.42x as on March 31, 2023 (PY: 1.31x). OPL has recently availed the enhancement in bank limits which will aid the liquidity position of the company. With a gearing of 0.55 times as of March 31, 2023, OPL has sufficient gearing headroom, to meet any requirement for any future exigencies. Its unutilized bank lines of ~Rs. 100 crores as on March 31, 2024, which is adequate to meet its incremental working capital needs.

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Compressors, Pumps & Diesel Engines

Oswal Pumps Limited (OPL) was incorporated in the year 2003 by Mr. Padam Sain Gupta and his two sons Mr. Rajeev Gupta and Mr. Vivek Gupta. OPL is involved into manufacturing of submersible pumps, monoblock pumps, electric motors and solar pumps catering to building services, agricultural and industrial sectors. OPL has an installed capacity of 3,00,000 pumps and 1,00,000 electric motors per annum. The manufacturing facility of the company is located in Karnal, Haryana which is fully integrated and spread over 4,30,000 sq. ft. area. Mr. Vivek Gupta is the managing director of the company, and his two sons Mr. Amulya Gupta and Mr. Shivam Gupta are the executive directors.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	389.15	392.18	495.24
PBILDT	61.89	62.91	108.47
PAT	33.46	37.34	70.35
Overall gearing (times)	1.32	0.55	NA
Interest coverage (times)	8.97	11.41	NA

A: Audited UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Brickwork Ratings and Acuite Rating has conducted the review and has maintained the ratings as "Not Cooperating" vide their press releases dated March 26, 2024, April 05, 2023, respectively on account of their inability to carry out a review in the absence of requisite information.

Any other information: Not Available

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST*	-	-	1)CARE BBB+; Stable / CARE A2 (26-Apr-24)	1)CARE BBB+; Stable / CARE A2 (29-Jun-23)	-	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	-	-	1)CARE BBB+; Stable / CARE A2 (26-Apr-24)	1)CARE BBB+; Stable / CARE A2 (29-Jun-23)	-	-

*LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Working Capital Limits	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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