# WPIL Limited

April 05, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 187.21 (Enhanced from 127.21) | CARE A+; Stable | Reaffirmed |
| Long Term / Short Term Bank Facilities | 813.79 (Enhanced from 611.79) | CARE A+; Stable / CARE A1+ | Revised from CARE A+; Stable / CARE A1 |
| Short Term Bank Facilities | 2.50 (Reduced from 4.50) | CARE A1+ | Revised from CARE A1 |
| Commercial Paper (Carved out)* | 15.00 | CARE A1+ | Revised from CARE A1 |

Details of instruments/facilities in Annexure-1.

* carved out of sanctioned working capital limits of the company

## Rationale and key rating drivers

The revision in the short-term rating assigned to the bank facilities and instrument of WPIL Limited (WPIL) factors in the improved liquidity profile of the company following the sale of its step-down subsidiaries Pompes Rutschi SAS, France and Rutschi Fluid AG, Switzerland (together referred to as Rutschi) in Q3FY24. The ratings also factor in the improvement in its consolidated total operating income (TOI) and operating profitability margins in FY23 (refers to the period April 1 to March 31) & 9MFY24, which is expected to sustain in the medium term considering the healthy revenue visibility from its current order book.

The ratings also factor in the comfortable capital structure and healthy debt coverage indicators. Going forward as well, the capital structure is expected to remain comfortable with healthy accretion of profits to reserves, no major debt funded capex plans and relatively lower reliance on borrowings for meeting working capital requirement. The ratings continue to derive strength from its established presence in the domestic pump industry, international presence through foreign acquisitions and diversified product portfolio.

The ratings, however, remain constrained by the working capital intensity of its operations marked by high average collection and average inventory period. With expected increase in the contribution of turnkey projects in TOI given the significant increase in order book of the project division, the working capital intensity is expected to remain high in the medium term. Total outside Liabilities to Tangible Networth (TOL/TNW) continued to remain elevated at 1.55x (PY: 1.83x) as on March 31, 2023, on the back of significant amount of contract liabilities. The ratings also factor in the susceptibility of profitability to volatility in raw material prices and competition in the pump industry due to fragmented industry structure.

## Rating sensitivities: Factors likely to lead to rating actions

### Positive factors

- Improvement in leverage and debt coverage indicators with TOL/TNW and Total Debt/PBILDT remaining <1.
- Significant improvement in operating cycle.

### Negative factors

- Significant elongation in its operating cycle.
- Deterioration in the debt coverage indicators or capital structure with overall gearing ratio > 0.7x due to increase in working capital borrowings or significant debt-funded capex/acquisition.
- Moderation in profitability margins (PBILDT margin < 12%) on a sustained basis

**Analytical approach:** Consolidated

CARE Ratings Ltd has taken a consolidated approach as all subsidiaries/step down subsidiaries are in similar line of business with operational and managerial linkages. Further, WPIL has extended corporate guarantee for part of debt availed by group entities. The list of entities consolidated in WPIL are placed as **Annexure-6**.

**Outlook:** Stable

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

The Stable outlook reflects that the company is likely to maintain its healthy operating performance given the current order book position which provides good revenue visibility over the medium term. The financial risk profile is also expected to be maintained with no major debt led capex plans and healthy debt coverage indicators.

## Detailed description of the key rating drivers:

## Key strengths

**Established presence of the company in the pumps industry**

WPIL has a track record of operations of more than six decades in the pumps industry. In 2002, it was taken over by Mr. Prakash Agarwal (MD, current promoter) from the erstwhile promoters (B. M. Khaitan Group) and the performance of the company has witnessed a turnaround since 2004. Besides having an established position in the domestic pump industry, the company has gradually expanded its operations globally via synergistic acquisitions and joint ventures made since 2011. WPIL has subsidiaries & JVs based in South Africa, Zambia, Australia, Singapore, Italy, France, Thailand, Switzerland and UAE.

**Diversified product portfolio and healthy order book position providing revenue visibility in the medium term; albeit concentrated order book**

The company is engaged in manufacturing of different types of pumps, spares & accessories and execution of water supply projects on a turnkey basis mainly for industrial units, municipalities, power utilities, irrigation departments, etc. While the domestic operations are mainly driven by water pumps, it also has presence in nuclear pumps and pumps relating to oil & gas sector apart from water and industrial pumps in its overseas operations. The standalone order book stood healthy at around ₹3,857 crore as on December 31, 2023, ensuring good revenue visibility over the medium term. However, large turnkey contracts from one single counterparty comprises more than 50% of the order book, indicating regional and client concentration in the order book. The client portfolio of the company comprises irrigation and water departments of various states especially Madhya Pradesh, West Bengal, Telangana, Assam, Maharashtra, central utilities, PSUs and various private sector entities. In addition to the domestic orders, the company had unexecuted order book of around ₹212.17 crore in its Italian subsidiary, ₹136.29 crore in Australia and around ₹103.64 crore in South Africa. The consolidated order book as on December 31, 2023, stood at around 2.39x of its consolidated TOI for FY23.

**Improvement in profitability in FY23 and 9MFY24, likely to sustain**

WPIL reported improvement in the operating performance both on a consolidated and standalone basis in FY23, which remained stable in 9MFY24, backed by higher execution of turnkey projects and healthy revenue reported from sale of pumps. TOI on a consolidated basis significantly improved by 53% in FY23 on y-o-y basis, while it remained at a similar level in 9MFY24 on y-o-y basis. The PBILDT margin improved to 18.98% in FY23 as compared to 17.44% in FY22 on the back of better realisation in the overseas operations along with execution of higher volume of turnkey projects. In 9MFY24, the operating margins continued to stood healthy at around 18.27% vis-à-vis 16.98% in 9MFY23 with higher margin from the overseas operations on account of better absorption of overheads. TOI and operating profitability are expected to remain healthy over the medium term on the back of healthy revenue visibility from existing order book. PAT of WPIL stood at ₹618 crore in 9MFY24, including PAT from discontinued operations which consisted of operational profit (net of tax) of Rutschi business reclassified as profit of discontinued operations and gain (net of tax) on disposal of Rutschi business classified under gain on disposal of assets.

**Comfortable overall gearing ratio and debt coverage indicators; albeit high TOL/TNW**

With scheduled repayment of term debt, capital structure of WPIL on consolidated basis witnessed improvement with debt equity and overall gearing of 0.18x and 0.44x as on March 31, 2023, respectively as against 0.32x and 0.72x as on March 31, 2022. TOL/TNW, however, remained elevated at 1.55x (PY: 1.83x) as on March 31, 2023 on the back of significant amount of contract liabilities. The coverage and leverage indicators are expected to remain comfortable over the medium term in the absence of any debt led capex plan and healthy operating profitability expected.

**Stable long term industry outlook**

The domestic and global pumps industry is expected to grow at a steady rate driven by rising government expenditure toward water infrastructure. The growing utilization of different types of pumps across different sectors such as chemical, oil & gas, nuclear, water & wastewater treatment plants, and general industries including power generation, food & beverages, mining, pulp & paper, etc., is expected to drive the market growth.

**Liquidity: Strong**

Post sales of its stake in Rutschi business, WPIL's liquidity has significantly improved marked by cash and cash equivalents of ~₹750 crore as on Dec. 31, 2023. Further, WPIL does not have major capex plans in the medium term and the routine capex would be met out of internal accruals. Its fund-based and non-fund based bank limits were utilized to the extent of average 57% & 65% respectively through the past 12 month ended December 31, 2023, indicating availability of adequate liquidity in the form of unutilized limits.

## Key weaknesses

**Working capital intensive nature of operations**

WPIL's business is inherently working capital intensive with long operating cycle. It receives 10-15% of the contract value on finalization of design, 50-60% on delivery of pump and the balance on successful erection and commissioning. Further, the clients withhold a percentage (generally 10-15%) of the contract price as retention money and the same is paid after 6 to 12 months of completion of contract. Despite slight improvement because of higher sales, the average collection period remained high at 172 days in FY23 (196 days in FY22). Average inventory period improved to 80 days in FY23 (105 days in FY22). The high collection period and inventory period was matched to an extent by longer credit period allowed by its suppliers. Further, the company has significant amount of contract liabilities as against the contract assets and debtors in the form of advances received from customers and billing in advance. With expected increase in revenue from project segment going forward, the working capital intensity is expected to remain high especially with most of its clients being irrigation and water supply departments of various state governments.

**Profitability susceptible to volatility in raw material prices**

Raw materials are the major cost driver of WPIL, accounting for about 68% of total cost of sales in FY23. Given that the prices of steel products (major raw material) are volatile in nature; the profitability of the company is susceptible to volatility in prices of raw material. However, the company has cost escalation clauses in most of its long-term contracts for supply of engineered pumps and execution of turnkey contracts whereas in the shorter-tenure fixed price contracts, it is exposed to price volatility risk.

**Intense competition in the pump industry**

The global and Indian pumps industry is characterized by co-existence of small and large manufacturers and few established players. Moreover, the company is also exposed to competition from cheaper imports. Further, the company is also exposed to the demand cyclicality which is inherent to the economy and end-user industries.

**Environment, social, and governance (ESG) risks**

Being into manufacturing of pumps, the company does not have significant emissions or waste generation. The company during FY23 spent ₹0.78 crore for various Corporate Social Responsibility (CSR) projects and initiatives. The board of directors comprises of seven members out of which four are independent directors.

## Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Service Sector Companies
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 |

WPIL, incorporated in 1952 by Johnston Pump Company Inc., USA, is engaged in manufacturing and sale of different types of pumps, spares & accessories and execution of water supply projects on a turnkey basis for industrial units, power utilities, irrigation departments, etc. In 2002, Mr. Prakash Agarwal of Kolkata acquired controlling stake in the company from B. M. Khaitan group. WPIL has two operational manufacturing units in Kolkata, one unit in Ghaziabad, Uttar Pradesh, and two units in Maharashtra. Since 2011, WPIL has expanded its operation in the international market by acquiring pump companies in different regions of the world.

| Brief Consolidated Financials (₹ crore) | FY22 (A) | FY23 (A) | 9MFY24 (UA) |
|---|---|---|---|
| Total operating income | 1181 | 1802 | 1073 |
| PBILDT | 206 | 342 | 196 |
| PAT | 118 | 220 | 618* |
| Overall gearing (times) | 0.72 | 0.44 | NA |
| Interest coverage (times) | 10.37 | 13.88 | 8.21 |

* Including PAT from discontinued operations which consisted of operational profit (net of tax) from disposal of Rutschi business
A: Audited UA: Unaudited NA: Not Available; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not applicable

**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 | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---|---|---|---|---|---|---|
| Commercial Paper-Commercial Paper (Carved out) | | - | - | 7-365 days | 15.00 | CARE A1+ |
| Fund-based - LT-Cash Credit | | - | - | - | 187.21 | CARE A+; Stable |
| Fund-based - LT/ ST-Packing Credit in Indian rupee | | - | - | - | 12.79 | CARE A+; Stable / CARE A1+ |
| Non-fund-based - LT/ ST-BG/LC | | - | - | - | 801.00 | CARE A+; Stable / CARE A1+ |
| Non-fund-based - ST-Forward Contract | | - | - | - | 2.50 | CARE A1+ |

## 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 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 |
| 1 | Commercial Paper-Commercial Paper (Carved out) | ST | 15.00 | CARE A1+ | - | 1)CARE A1 (21-Mar-23) | 1)CARE A1 (21-Mar-22) | 1)CARE A1 (02-Mar-21) |
| 2 | Fund-based - LT-Cash Credit | LT | 187.21 | CARE A+; Stable | - | 1)CARE A+; Stable (21-Mar-23) | 1)CARE A; Positive (21-Mar-22) | 1)CARE A; Stable (02-Mar-21) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 3 | Fund-based - LT/ ST-Packing Credit in Indian rupee | LT/ST | 12.79 | CARE A+; Stable / CARE A1+ | - | 1)CARE A+; Stable / CARE A1 (21-Mar-23) | 1)CARE A; Positive / CARE A1 (21-Mar-22) | 1)CARE A; Stable / CARE A1 (02-Mar-21) |
| 4 | Non-fund-based - LT/ ST-BG/LC | LT/ST | 801.00 | CARE A+; Stable / CARE A1+ | - | 1)CARE A+; Stable / CARE A1 (21-Mar-23) | 1)CARE A; Positive / CARE A1 (21-Mar-22) | 1)CARE A; Stable / CARE A1 (02-Mar-21) |
| 5 | Non-fund-based - ST-Forward Contract | ST | 2.50 | CARE A1+ | - | 1)CARE A1 (21-Mar-23) | 1)CARE A1 (21-Mar-22) | 1)CARE A1 (02-Mar-21) |

LT: Long term; ST: Short term; 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 | Commercial Paper-Commercial Paper (Carved out) | Simple |
| 2 | Fund-based - LT-Cash Credit | Simple |
| 3 | Fund-based - LT/ ST-Packing Credit in Indian rupee | Simple |
| 4 | Non-fund-based - LT/ ST-BG/LC | Simple |
| 5 | Non-fund-based - ST-Forward Contract | Simple |

**Annexure-5: Lender details**

| |
|---|
| To view the lender wise details of bank facilities please click here |

**Annexure-6: List of all the entities consolidated**

| Sr No | Name of the entity | Extent of consolidation | Rationale for consolidation |
|---|---|---|---|
| 1. | Aturia International Pte Limited | Full | Subsidiary |
| 2. | Mathers Foundry Limited | Full | Subsidiary |
| 3. | Sterling Pumps Pty Limited | Full | Subsidiary |
| 4. | UCP Australia Pty Ltd | Full | Subsidiary |
| 5. | WPIL SA Holdings Pty Limited | Full | Subsidiary |
| 6. | APE Pumps Pty Limited* | Full | Subsidiary |
| 7. | Mather & Platt (SA) Pty Limited | Full | Subsidiary |
| 8. | PSV Zambia Limited | Full | Subsidiary |
| 9. | Gruppo Aturia S.p.A | Full | Subsidiary |
| 10. | Rutschi Fluid AG (sold in Dec. 2023) | Full | Subsidiary |
| 11. | Pompes Rutschi SAS (sold in Dec. 2023) | Full | Subsidiary |
| 12. | WPIL (Thailand) Co. Limited | Proportionate | Joint Venture |
| 13. | Clyde Pumps India Private Limited | Proportionate | Associate |
| 14. | Amanzi Phampa Consultants (Pty) Ltd | Proportionate | Associate |
| 15. | WPIL – SMS JV | Proportionate | Jointly Controlled Operations |
| 16. | WPIL- Sarathi JV | Proportionate | Jointly Controlled Operations |
| 17. | WPIL-JWIL JV | Proportionate | Jointly Controlled Operations |
| 18. | WPIL – MHI JV | Proportionate | Jointly Controlled Operations |
| 19. | Ranjit – WPIL JV | Proportionate | Jointly Controlled Operations |

**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.

## Contact us

| Media Contact | Analytical Contacts |
|---|---|
| Name: Mradul Mishra<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3596<br>E-mail: mradul.mishra@careedge.in<br><br>**Relationship Contact**<br><br>Name: Saikat Roy<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3404<br>E-mail: saikat.roy@careedge.in | Name: Hardik Shah<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3591<br>E-mail: Hardik.shah@careedge.in<br><br>Name: Richa Bagaria<br>Associate Director<br>**CARE Ratings Limited**<br>Phone: +91-33-4018 1653<br>E-mail: richa.jain@careedge.in<br><br>Name: Mayank Sourabh<br>Analyst<br>**CARE Ratings Limited**<br>E-mail: Mayank.Sourabh@careedge.in |

**About us:**
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.



**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**