

## Rosmerta Safety Systems Limited

November 18, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	5.00	CARE BBB+ (RWN)	Placed on Rating Watch with Negative Implications
Long Term / Short Term Bank Facilities	45.00	CARE BBB+ / CARE A2 (RWN)	Placed on Rating Watch with Negative Implications

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings (CARE) has placed the ratings assigned to the bank facilities of Rosmerta Technologies Limited (RTL) on rating watch with negative implications (RWN) following the allegations levelled against the promoters of the group with regards to concealment of material facts in the Draft Red Herring Prospectus (DRHP) filed for one of the subsidiaries of RTL, namely, Rosmerta Digital Services Limited (RDSL), which has also resulted in the deferment of its Initial Public Offer (IPO). CARE shall evaluate the impact of the above allegations on the operational and financial performance of the company and review the ratings once more clarity on the same emerges.

The ratings assigned to Rosmerta Safety Systems Limited (RTL) factors in tie-up of the company with leading Original Equipment Manufacturers' (OEMs) with pan-India distribution network, strong market position along with experienced management team. Furthermore, the company had comfortable operational performance during FY24 (refers to period from April 01 to March 31) backed by growing focus of the government towards implementing mandatory affixation of High-Security Registration Plates (HSRP) across India. The ratings also take into account comfortable capital structure and debt coverage indicators supported by healthy tangible-net worth base as against moderate debt levels. However, the ratings are offset by the presence of substantial investments into preference shares of group entities and competition from new players entering the market.

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

#### Positive factors

- Sustained improvement in scale of operations beyond Rs.600 crores supported by operating profit margins of 26% and above on a sustainable basis.

#### Negative factors

- Deterioration in scale of operations below Rs.450 crores & substantial reduction in profitability leading to weak liquidity on a sustained basis.
- More than envisaged increase in leverage leading to moderation in liquidity & debt coverage metrics
- Any further support provided to group entities which may weaken liquidity along with substantial increase in contingent liability in form of CG extended to group or associate concern
- Any negative action including investigation/ penalty imposed by any regulatory authority which may have an adverse impact on the operational/financial performance

**Analytical approach:** Standalone Approach

### Detailed description of key rating drivers:

#### Key strengths

#### Tie up with leading OEM having pan-India presence

The company has tie up with leading OEMs like Hero Moto Corp Limited, Maruti Suzuki India Limited, Bajaj Auto India Private Limited, Honda Motorcycle & Scooters India, etc and has presence in PAN India with strong distribution network of about 350+

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

centres for affixation of HSRP plates. The company's revenue from OEM's is diversified with top 10 OEM's contributing ~39% of the total revenue in FY24 (PY: ~37%).

### **Strong market position along with experienced management team**

The company is the wholly-owned subsidiary of Rosmerta Technologies Limited (RTL), which is the flagship company of Rosmerta group. RTL is promoted by KKH Technologies Private Limited., an investment company having Mr. Pankaj Madan and Mr. Sandeep Malik as board of directors. Both of them are also on board of RTL. Mr. Pankaj Madan is a post graduate in accounting and looks after finance function and have 15 year of experience in finance. Mr. Sandeep Malik on the other hand is a commerce graduate and looks after the marketing function of the company and have 15 years of experience in same field. The other two board of directors are Mr. Sahendra Pal Singh is a B.Tech by qualification in electronic and communication and looks after HSRP operations of the company and has more than 8 years of experience in the operations of HSRP projects and Mr. Sanjiv Nanda who has 40 years of experience in various business like textile, real estate etc.

### **Comfortable Operational performance**

The total operating income of the company has grown at a compounded annual growth rate (CAGR) of ~17% in the past 5 fiscals ending FY24 due to the growing government focus on implementing mandatory affixation of HSRP plates across India. Further, the company reported significant growth of ~33% in its total operating income, which stood at Rs.496.91 crores during FY24 (UA) (PY: Rs.373.34 crores). The same has been owing to higher volumes achieved along with better realizations achieved in HSRP. The PBILDT margin improved by 609 bps and 26.01% in FY24 (PY: 19.92%) owing to economies of scale thereby leading to better absorption of fixed overheads along with decline in the raw material costs as a percentage to sales. The same stood at ~37% of total sales in FY24 (PY: ~42%). Further, the PAT margin also improved and stood at 20.87% in FY24 (PY: 15.74%) owing to improvement in operating profit and decline in interest expenses.

### **Comfortable financial risk profile**

The capital structure of the company stood comfortable with overall gearing of 0.07x as on March 31, 2024 (PY: 0.10x). The total debt of the company stood at Rs.25.21 crores as on March 31, 2024 (PY: Rs.25.84 crores) primarily comprised of vehicle loans of Rs.5.57 crore and lease liability of Rs.18.25 crores. The adjusted overall gearing factoring in the investment into the preference shares of group entities stood at 0.19x as on March 31, 2024 (PY: 0.34x). The debt coverage indicators also stood very comfortable with interest coverage ratio and Total debt to GCA of 251.41x and 0.22x respectively as on March 31, 2024 (PY: 31.06x and 0.39x respectively).

### **Favourable regulatory environment**

As per the extant guidelines issued by the Ministry of Road Transport and highways (MoRTH), all vehicles sold before April 2019 must have HSRP to facilitate tracking of stolen vehicles through registration of vehicles in central database and to make the registration plates tamper free. As a result of this all OEM's must comply with the regulation for all new manufactured vehicles being rolled out. Furthermore, for the existing four-wheelers and two-wheelers plying on the road, it has been made mandatory to affix HSRP in a phased manner across various states. On the back of RTL's wide distribution network, the company was able to cater to the surge in demand which was reflected in growth in revenues and profitability over the past couple of years. The states such as Andhra Pradesh, Assam, Bihar, Delhi, Uttar Pradesh, Uttarakhand, Telangana, and Himachal Pradesh, among others have implemented HSRP on March 31, 2023 and in Karnataka, the same has been mandated from November 2023 onwards which provides revenue visibility in the near term. The company's ability to cater to the demand and tackle competition without any adverse impact on the profitability or the capital structure shall remain a key monitorable going forward.

### **Key weaknesses**

#### **Whistleblower complaint and allegations against promoters**

The whistleblower's complaint against Rosmerta group to the various regulators primarily revolved around material concealment of facts in DRHP filed for a group entity – Rosmerta Digital Services Ltd and implicit involvement of Mr. Vivek Nagpal (father of founding promoters i.e. Mr. Kartick Nagpal & Mr. Karn Vivek Nagpal) in the operations of Rosmerta group. Mr. Vivek Nagpal had a history of being implicated in the 2002 stock market scam and was also debarred from securities market for a period of five years by Securities and Exchange Board of India (SEBI). However, as discussed with the management of the company, they have refuted direct or indirect involvement of Mr. Vivek Nagpal in the overall group structure. Rosmerta group has been promoted by The Motilal Nagpal Family Trust, whereby Mr. Kartick Nagpal and Mr. Karn Vivek Nagpal are the beneficial owners holding 20%

each and balance held by other beneficiaries viz, Mrs. Aarti Nagpal (Wife of Mr. Vivek Nagpal) and Hariansh Nagpal. Pursuant to these allegations, the management has deferred their fund-raising plans through IPO in the group entity and await conducive market conditions for the IPO. CARE shall evaluate the impact of the above allegations on the operational and financial performance of the company and review the ratings once more clarity emerges on the same.

### Significant investments into the group entities

The company has investments amounting to 274.47 Cr. (PY: Rs.194.34 Cr.) in the preference as well as equity instruments of various group companies. The company has surplus cash balances. In the financial year 2021-22, RSSL invested these surplus funds in the inter-corporate loans to group companies. In FY 2022-23, the inter-corporate loans given by RSSL, was received back. As part of group strategic investment, RSSL has invested its surplus funds by subscribing to preference shares instruments of the Group Companies.

### Exposed to competition from players entering the market

The company remains exposed to threat of new entrants due to low barriers of entry in the business of manufacturing and distribution of HSRP plates which has grown at a significant rate in past two years supported by favourable change in regulatory policy by state/central government for mandatory implementation of HSRP plates. The company thus remains exposed to the threat of a new entrant with an established network or any adverse regulatory changes which may impact the future business potential.

### Liquidity: Adequate

The company has adequate liquidity marked by strong cash accruals and low scheduled debt repayment obligations in upcoming years. Healthy profitability margins and adequate cash balance has reduced reliance of the company on bank finance for its working capital requirement. Free cash and cash equivalent as on March 31st, 2024 were of Rs. 25.21 crores (PY: Rs. 25.84 crores). The company normally extends credit for 15-30 days to its customers and receives credit of 60-70 days from its creditors.

### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Auto Components & Equipments](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

Rosmerta Safety Systems Limited (RSSPL) is a wholly owned subsidiary of Rosmerta Technologies Limited, which was incorporated on May 03, 2006 as a private limited company and was changed to public limited company on September 29, 2009. RTL was initially promoted by Rosmerta Technologies (Holdings) Limited, U.K. (RTHL). In 2012, an investment company promoted by Mr. Karn Nagpal and Mr. Kartik Nagpal by the name of KKH Technologies Private Limited acquired controlling stake in RTL from RTHL. The company is engaged in the business of manufacturing and affixation of High Security Registration Plates (HSRP) for the automotive industry. These number plates are provided to almost all the vehicle manufacturers through their 20,000+ outlets across the country. The company holds more than 50% market share in HSRP and known to be as largest HSRP manufacturer in India and second largest across the globe.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	373.34	496.91
PBILDT	74.36	129.25
PAT	58.77	103.71
Overall gearing (times)	0.10	0.07
Interest coverage (times)	31.06	251.41

A: Audited UA: Unaudited; Note: these are latest available financial results; UA: Unaudited

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

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	5.00	CARE BBB+ (RWN)
Non-fund-based - LT/ ST-BG/LC		-	-	-	45.00	CARE BBB+ / CARE A2 (RWN)

#### Annexure-2: Rating history for 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-Working Capital Limits	LT	5.00	CARE BBB+ (RWN)	1)CARE BBB+; Stable (22-Jul-24)	-	-	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	45.00	CARE BBB+ / CARE A2 (RWN)	1)CARE BBB+; Stable / CARE A2 (22-Jul-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

#### Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple

2	Non-fund-based - LT/ ST-BG/LC	Simple
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**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

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

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### 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.

### Disclaimer:

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