

## Rosmerta Technologies Limited

November 18, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	65.00	CARE BBB+ (RWN)	Placed on Rating Watch with Negative Implications
Short Term Bank Facilities	72.58	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 Technologies 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 growth in the key revenue segment of the company i.e. High-Security Registration Plates (HSRP). Moreover, the company has also been diversifying its presence across other product segments in order to de-risk its revenue streams. The ratings also factor in improvement in capital structure and debt coverage indicators supported by prepayment of debt from healthy cash accruals. However, the ratings are offset by the presence of product concentration risk, 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 above Rs.1000 crore & ROCE above 25% supported by product diversification & ramping up of operations in newly added segments.

#### Negative factors

- Deterioration in scale of operations below Rs.450 crore & PBILDT margin below 13% 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:** Consolidated approach as there are strong financial and operational linkages among the group entities which are under the same management. The entities considered in consolidation are given as Annexure-6.

### Detailed description of key rating drivers:

#### Key strengths

#### Tie up with leading OEM with 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 day-to-day operations of RTL are managed by professionals under the direct supervision of directors who possess considerable experience in their respective fields. RTL is promoted by KKH Technologies Limited, which holds 86% stake in the former, an investment company which is primarily controlled by The Motilal Nagpal Family Trust, whereby Mr. Kartick Nagpal & Mr. Karn Vivek Nagpal are the beneficial owners holding 20% each, with the other beneficiaries being Mrs. Aarti Nagpal and Mr. Hariansh Nagpal. Further, Mr. Pankaj Madan and Mr. Brijesh Singh are the board of directors in KKH Technologies Limited, whereby Mr. Pankaj Madan is also on the board of RTL. Mr. Pankaj Madan is a post graduate in accounting having 15 year of experience in finance. The other board of director is Mr. Vijay Umedmal Mehta, who is currently the group financial officer with 28 years of work experience in some of the big conglomerates like TATA Steel, Bajaj Auto, Adani Enterprises etc.

### **Comfortable operational performance during FY24**

The total operating income of the company reported y-o-y growth of ~27% and stood at Rs.784.61 crore in FY24 (UA) (PY: Rs.617.28 crore). This growth is primarily attributable to higher volumes sold in High-Security Registration Plates (HSRP) segment along with better realizations, which also continues to remain the highest revenue contributor to the top-line of RTL at ~63% of total consolidated sales. Further, the company has also been diversifying its presence across other product segments; Diesel Exhaust Fluid (via its subsidiary Rosmerta Road Safety Private Limited), Vehicle Tracking systems, and telecom and smart cards (via acquisition of SCIT), which have also added to the top-line. The PBILDT margin of the company improved by 453 bps and stood at 19.98% in FY24 (PY: 15.45%) owing to economies of scale supported by a decline in the raw material cost as a percentage of total sales. The PAT margin also improved and stood at 16.94% in FY24 (PY: 9.83%) owing to an increase in non-operating income due to gain on sale of subsidiaries of Rs.25.47 crore in FY24 (PY: Rs.0.53 crore).

### **Comfortable financial risk profile**

The capital structure of the company stood comfortable with overall gearing of 0.19x as on March 31, 2024 (PY: 0.37x). The same is owing to prepayment of long-term debt availed from India bulls Housing Finance Limited along with accretion of profits to net worth base. The adjusted overall gearing after factoring in the investments into preference shares and associates/JVs stood at 0.36x as on March 31, 2024 (PY: 0.72x). The debt coverage indicators also improved with interest coverage ratio and total debt to GCA of 13.48x and 0.54x respectively (PY: 7.77x and 1.70x 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.

**Product Concentration risk**

During FY24, the company derived 63% of its total revenue from HSRP plates (PY: ~61%), 8.5% from Smart Cards (PY: 12.6%), 10.8% from Rosmerta Digital (PY: 6.6%) and 2.5% from telecom cards (PY: 0.00%), which expose the company to product concentration risk. Therefore, any saturation in the market of HSRP plate with increased competition can impact on the scale of operations of the company. The risk is, however, mitigated to some extent with company's diversifying into new products and ramping-up of operations in those segments such as multiprofile sim cards, company's strong tie ups with OEM's and its future plan to diversify into other business-like scrapping of old vehicles.

**Significant investments in group entities**

The company, through its subsidiary Rosmerta Safety Systems Limited (RSSL) has made investments amounting to 238.21 Cr. (PY: Rs.166.81 Cr.) in the preference instruments of various group companies. RSSL 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, were received back. As part of group strategic investment, RSSL has invested its surplus funds in investments in the preference share instruments of the Group Companies. The Companies in which RSSL has invested, has strong business plans. Investments are also secured taking cognizance of the fact that these entities are part of the group and there a significant underline value of Assets (i.e. land & building etc.). However, any further investments in group/ associate entities shall be credit negative and remain key monitorable.

**Exposed to competition from players entering the market**

The company remains exposed to the 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 favorable 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 have reduced reliance of the company on bank finance for its working capital requirement. Free cash and cash equivalent as on March 31st, 2024 were Rs. 24.28 crore (PY: Rs. 30.43 crore). The company normally extends credit for 30 days to its customers and receives credit of 60-120 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](#)[Short Term Instruments](#)[Consolidation](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information Technology	Information Technology	IT - Hardware	Computers Hardware & Equipments

Rosmerta Technologies Limited (RTL) was incorporated on May 03, 2006 as a private limited company which was changed to public limited company on September 29, 2009. RTL is promoted by KKH Technologies Limited, which holds 86% stake in the former, an investment company which is primarily controlled by The Motilal Nagpal Family Trust, whereby Mr. Kartick Nagpal & Mr. Karn Vivek Nagpal are the beneficial owners holding 20% each, with the other beneficiaries being Mrs. Aarti Nagpal and Mr. Hariansh Nagpal. It is engaged in the business of manufacturing and affixation of High Security Registration Plates (HSRP) with production capacity of 4 crore plates set. RTL is also into manufacturing of Speed Limiter Devices, Vehicle Tracking System (VTS), Global Positioning System (GPS) etc. The company has recently diversified into the business of manufacturing and trading of PPE for COVID-19 such as 3 ply mask, N-95 Mask and sanitizers etc. RTL belongs to Rosmerta Technologies group. The other two companies belonging to group are Rosmerta Safety Systems Pvt. Ltd. (RSSPL) and Rosmerta Autotech Pvt. Ltd. (RAPL). RSSPL manufactures High Security Registration Plates (HSRP) and has manufacturing plant in Bilaspur district in Himachal Pradesh with capacity of 1 million set of HSRP plates per month and in Kamrup, Assam with an installed 4 CARE Ratings Ltd. Press Release capacity of five million sets of HSRP plates per month and RAPL is a highly specialized manufacturer and supplier of Road Safety Devices such as Speed Governor (Fuel based), Speed Governor (Cable/Actuator type), Vehicle Tracking System (VTS) and Auto Fare Meters in the field of automobile sector

Brief Financials (₹ crore) (Consolidated)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	617.28	784.61
PBILDT	95.36	156.75
PAT	60.69	132.92
Overall gearing (times)	0.37	0.19
Interest coverage (times)	7.77	13.48

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

### Status of non-cooperation with previous CRA:

#### Any other information:

**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-Cash Credit		-	-	-	30.00	CARE BBB+ (RWN)
Fund-based - ST-Bank Overdraft		-	-	-	2.76	CARE A2 (RWN)
Non-fund-based - ST-BG/LC		-	-	-	40.00	CARE A2 (RWN)
Non-fund-based-Short Term		-	-	-	29.82	CARE A2 (RWN)
Term Loan-Long Term		-	-	Proposed	35.00	CARE BBB+ (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 - ST-Bank Overdraft	ST	2.76	CARE A2 (RWN)	1)CARE A2 (05-Jul-24)	1)CARE BBB; Positive (23-Oct-23)	1)CARE BBB; Stable (10-Oct-22)	1)CARE BBB; Stable (03-Aug-21)
2	Non-fund-based - ST-BG/LC	ST	40.00	CARE A2 (RWN)	1)CARE A2 (05-Jul-24)	1)CARE A3 (23-Oct-23)	1)CARE A3 (10-Oct-22)	1)CARE A3 (03-Aug-21)
3	Non-fund-based-Short Term	ST	29.82	CARE A2 (RWN)	1)CARE A2 (05-Jul-24)	1)CARE A3 (23-Oct-23)	1)CARE A3 (10-Oct-22)	1)CARE A3 (03-Aug-21)
4	Term Loan-Long Term	LT	35.00	CARE BBB+ (RWN)	1)CARE BBB+; Stable (05-Jul-24)	-	-	-
5	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB+ (RWN)	1)CARE BBB+; Stable (05-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-Cash Credit	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Non-fund-based-Short Term	Simple
5	Term Loan-Long Term	Simple

**Annexure-5: Lender details**

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

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

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Rosmerta Autotech Private Limited	Full	Subsidiary
2	Rosmerta Engineering Private Limited	Full	Subsidiary
3	Rosmerta Holding Private Limited	Moderate	Subsidiary
4	Rosmerta Logistics Private Limited	Full	Subsidiary
5	Rosmerta Solutions Private Limited	Full	Subsidiary
6	Rosmerta Inspection Private Limited	Full	Subsidiary
7	Konnet Vian Private Limited	Proportionate	Subsidiary
8	Rosmerta Auto Recycling Private Limited	Full	Subsidiary
9	Rosmerta Safety Systems Private Limited	Full	Subsidiary
10	Smart Card IT Solutions Private Limited	Full	Subsidiary
11	KKH Finvest Private Limited	Full	Subsidiary

**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](mailto:care@careedge.in) for clarifications.

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