WPIL Limited

March 21, 2023

Facilities/Instruments	Amount (₹ crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	127.21 (Enhanced from 107.21)	CARE A+; Stable	Revised from CARE A; Positive
Long Term / Short Term Bank Facilities	611.79 (Enhanced from 431.79)	CARE A+; Stable / CARE A1	Revised from CARE A; Positive / CARE A1
Short Term Bank Facilities	4.50	CARE A1	Reaffirmed
Commercial Paper (Carved out)*	15.00	CARE A1	Reaffirmed

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 long-term rating and reaffirmation of the short-term rating assigned to the bank facilities/instruments of WPIL Limited (WPIL) factors in the improvement in its consolidated total operating income (TOI) and operating profitability margins in FY22 (refers to the period April 1 to March 31) and 9MFY23 which is expected to sustain in the medium term considering the healthy revenue visibility from its current order book. The company continues to derive significant amount of revenue in domestic operations from various government bodies towards irrigation and water supply projects, and its order book is also skewed towards the same. 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 1.83x (1.91x) as on March 31, 2022, on the back of significant amount of contract liabilities which tempers the ratings.

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

- Sustaining the improvement in consolidated PBILDT margin, such that the margin remains above 18%.
- Steady flow of orders and timely execution of order book resulting in increase in scale of operations with consolidated TOI above ₹1,800 crore on a sustained basis.
- Sustained improvement in leverage and debt coverage indicators with TOL/TNW and Total Debt/PBILDT remaining below unity.
- 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 > unity due to increase in working capital borrowings or significant debt-funded capex/acquisition.
- Moderation in profitability margins (PBILDT margin < 12%) on a sustained basis

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

Analytical approach:
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
The Stable outlook reflects that the company is likely to maintain its healthy operating performance given the current order book position which provides 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.

Key strengths
Established presence of the company in the pumps industry
WPIL has a track record of operation 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 or 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 ₹2,460 crore as on December 31, 2022, ensuring revenue visibility over the medium term. In March 2023, the company has further received orders of ₹1,225 crore. 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 56 million Euro in its Italian subsidiary, 23 million AUD in Australia and around 178 million Rand in South Africa. The consolidated order book as on December 31, 2022, stood at around 2.65x of its consolidated TOI for FY22.

Improvement in TOI and profitability in FY22 and 9MFY23, likely to sustain
WPIL reported improvement in the operating performance both on a consolidated and standalone basis in FY22 and further in 9MFY23 backed by higher execution of turnkey projects and healthy revenue reported from sale of pumps. The TOI on a consolidated basis improved by 18% in FY22 and further by about 60% in 9MFY23 on y-o-y basis.
The PBILDT margin improved to 17.44% in FY22 as compared to 15.30% in FY21 with improvement in profitability in the overseas operations along with execution of higher volume of turnkey projects. In 9MFY23, the operating margins stood at around 16.98% vis-à-vis 15.61% in 9MFY22 with higher margin from the overseas operations on account of better absorption of overheads. The TOI and operating profitability are expected to remain healthy over the medium term of back of healthy revenue visibility.

Comfortable overall gearing ratio and debt coverage indicators; albeit high TOL/TNW
The capital structure of WPIL on consolidated basis remained comfortable with debt equity and overall gearing of 0.32x and 0.72x as on March 31, 2022, respectively as against 0.43x and 0.66x as on March 31, 2021. The debt to equity witnessed an improvement in 2022 on back of scheduled repayment of term debt with no addition during the year. However, due to increase in working capital borrowing required to fund the increased working capital requirement, the overall gearing ratio witnessed marginal moderation. In FY20, WPIL had availed term loan of Euro 14 million to acquire Finder Pompe S.R.L (Finder) through Gruppo Aturia SPA and another term loan of Euro 9 million in Italian subsidiary to buy a property which was on lease earlier. The term loan availed to acquire Finder has been fully prepaid in the current fiscal.
The TOL/TNW, however, remained elevated at 1.83x (1.91x) as on March 31, 2022 on back of significant amount of contract liabilities.
Interest coverage ratio improved to 10.37x in FY22 as against 6.80x in FY21. Total debt/PBILDT remained stable at 2.09x as on March 31, 2022. 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.

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. The average collection period remained high at 196 days in FY22 (187 days in FY21). Average inventory period also remained at 105 days in FY22 (113 days in FY21). 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 45-50% of total cost of sales in FY22. 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. However, in the shorter-tenure fixed price contracts (about 30% of orderbook) 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 a 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.

Liquidity: Adequate

WPIL's liquidity is adequate with sufficient cushion in accruals vis-à-vis repayment obligations. 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 bank limits were utilized to the extent of average 33% through the past 12 month ended December 31, 2022, indicating availability of adequate liquidity in the form of unutilized limits. Further, the cash and cash equivalent as on December 31, 2022, stood at around Rs.230 crore. However, non-fund based working capital limit utilization remained relatively high at around 70%.

Environment, social, and governance (ESG) risks

Being into manufacturing of pumps, the company does not have significant emissions or waste generation. The company during FY22 spent Rs.0.51 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

Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies
Service Sector Companies

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.

Consolidated Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	1001	1181	1211
PBILDT	153	206	206
PAT	99	118	140
Overall gearing (times)	0.66	0.72	NA
Interest coverage (times)	6.80	10.37	12.12

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial Paper-Commercial Paper (Carved out)		-	-	7-364 days	15.00	CARE A1
Fund-based - LT-Cash Credit		-	-	-	127.21	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		-	-	-	599.00	CARE A+; Stable / CARE A1
Non-fund-based - ST-Forward Contract		-	-	-	4.50	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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Commercial Paper-Commercial Paper (Carved out)	ST	15.00	CARE A1	-	1)CARE A1 (21-Mar-22)	1)CARE A1 (02-Mar-21)	1)CARE A1 (25-Feb-20) 2)CARE A1 (07-Oct-19)
2	Fund-based - LT-Cash Credit	LT	127.21	CARE A+; Stable	-	1)CARE A; Positive (21-Mar-22)	1)CARE A; Stable (02-Mar-21)	1)CARE A; Negative (25-Feb-20) 2)CARE A; Stable (07-Oct-19)
3	Fund-based - LT/ ST-Packing Credit in Indian rupee	LT/ST*	12.79	CARE A+; Stable / CARE A1	-	1)CARE A; Positive / CARE A1 (21-Mar-22)	1)CARE A; Stable / CARE A1 (02-Mar-21)	1)CARE A; Negative / CARE A1 (25-Feb-20) 2)CARE A; Stable / CARE A1 (07-Oct-19)
4	Non-fund-based - LT/ ST-BG/LC	LT/ST*	599.00	CARE A+; Stable / CARE A1	-	1)CARE A; Positive / CARE A1 (21-Mar-22)	1)CARE A; Stable / CARE A1 (02-Mar-21)	1)CARE A; Negative / CARE A1 (25-Feb-20) 2)CARE A; Stable / CARE A1 (07-Oct-19)
5	Non-fund-based - ST-Forward Contract	ST	4.50	CARE A1	-	1)CARE A1 (21-Mar-22)	1)CARE A1 (02-Mar-21)	1)CARE A1 (25-Feb-20) 2)CARE A1 (07-Oct-19)

*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 entities consolidated with WPIL

Type	Name of companies	% Equity Interest as on Mar.31, 2022	Country of incorporation and operation
Subsidiaries/step down subsidiaries	Aturia International Pte Limited	61.53%	Singapore
	Mathers Foundry Limited	61.53%	United Kingdom
	Sterling Pumps Pty Limited	72.00%	Australia
	UCP Australia Pty Ltd	72.00%	Australia
	WPIL SA Holdings Pty Limited	61.53%	South Africa
	APE Pumps Pty Limited*	61.53%	South Africa
	Mather & Platt (SA) Pty Limited	61.53%	South Africa
	PSV Zambia Limited	61.53%	Zambia
	Gruppo Aturia S.p.A	61.53%	Italy
	Rutschi Fluid AG	61.53%	Switzerland
	Pompes Rutschi SAS	61.53%	France
Joint Venture	WPIL (Thailand) Co. Limited	30.15%	Thailand
Associate	Clyde Pumps India Private Limited	40%	India
Jointly Controlled Operations	WPIL – SMS JV	100%	India
	WPIL- Sarathi JV	80%	India
	WPIL-JWIL JV	60%	India
	WPIL – MHI JV	95%	India
	Ranjit – WPIL JV	15%	India

*Holding is 42.45% as on December 31, 2022

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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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.

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