

WPIL Limited

April 06, 2018

Ratings

Facilities/Instruments [^]	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	53.25	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Long/Short Term Bank Facilities	265.79 (enhanced from 223.00)	CARE A; Stable/CARE A1 (Single A; Outlook: Stable /A One)	
Short Term Bank Facilities	0.96	CARE A1 (A One)	
Total	320.00 (Rs. Three hundred and twenty crore)		
Issuer Rating	-	-	Withdrawn
Instrument			
Commercial Paper*	15.00 (Rs. Fifteen crore only)	CARE A1 [A One]	Reaffirmed

[^]Details of facilities in Annexure-1

*carved out of sanctioned working capital limits of the company

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of WPIL Ltd continue to derive strength from long experience of the promoters, strong order book position with reputed clients, improvement in financial performance in FY17 (refers to the period April 1 to March 31) & 9MFY18 and comfortable financial risk profile. The ratings, however, are constrained by high exposure to group companies, profitability susceptible to volatility in raw material prices, working capital intensive nature of operations marked by high collection period and intense competition in the domestic pump industry due to fragmented industry structure. The ability of the company to increase its scale of operation, maintain its profitability margins, efficient management of working capital and improvement in performance of subsidiaries continues to remain the key rating sensitivities.

Detailed description of the key rating drivers**Key Rating Strengths****Experienced promoters**

WPIL is engaged in manufacturing of pumps for more than six decades. In 2002, it was taken over by Mr. Prakash Agarwal. Prior to acquisition of WPIL, Mr. Agarwal was engaged in manufacturing and trading of steel products (cast iron) for around two decades. The company has a well-qualified management team who are taking all decisions under the guidance and supervision of the promoter (MD).

Strong order book position with reputed client portfolio

The order book position increased from Rs.658.71 crore as on Aug 31, 2016 to Rs.859.6 crore as on Dec 31, 2017 (representing 3.03x of net sales in FY17). The client portfolio of the company is quite diversified comprising irrigation department of various states especially Andhra Pradesh, central utilities, large PSUs and various private sector entities.

Improvement in financial performance in FY17 and 9MFY18

WPIL's total operating income improved at a y-o-y growth of 32.44% to Rs.282.79 crore in FY17. PBILDT margins also improved from 14.06% in FY16 to 15.95% in FY17. Despite increase in PBILDT, interest coverage

¹Complete definition of ratings assigned are available at www.careratings.com and in other CARE publications.

ratio moderated from 3.07x in FY17 to 2.31x in FY17 due to higher interest costs in view of higher utilisation of working capital limits. In FY17 the company reported a GCA of Rs.30.02 crore as against a debt repayment of Rs.0.02 crore.

In 9MFY18, the company reported PAT of Rs.13.96 crore (as against Rs.12.90 crore in 9MFY17) on total operating income of Rs.261.66 crore (as against Rs.183.89 crore in 9MFY17).

Comfortable financial risk profile

The capital structure of the company continued to remain comfortable with nil term debt obligation and continuous accretion of profits to reserves. The overall gearing improved from 0.36x as on March 31, 2016 to 0.34x as on March 31, 2017. Total Debt/GCA also improved from 4.84x as on March 31, 2016 to 2.71x as on March 31, 2017. The average working capital utilisation was comfortable at around 67.92% during the last 12 months ended Dec'17.

Key Rating Weaknesses

High exposure to subsidiaries

Although WPIL's funded exposure to group companies decreased from Rs.153.48 crore as on Mar 31, 2016 to Rs.136.18 crore (accounting for 57% of net-worth) as on Mar 31, 2017, it continues to remain high. Moreover, WPIL has also given a corporate guarantee of Rs.125.90 crore (reduced from Rs.159.18 crore in FY16) to its subsidiaries for debt availed for the purpose of acquisition. However, in FY18, part of the term loan, in respect of which corporate guarantee was given have been repaid in full. As on Mar 30, 2018, the outstanding corporate guarantee stood at USD 5.5 mn.

Profitability susceptible to volatility in raw material prices

Raw materials are the major cost driver of WPIL, accounting for ~69% of total cost of sales in FY17. Given the prices of steel products (major raw material) are volatile in nature; the profitability of the company is susceptible to the volatility in prices of raw-material. However, the company has cost escalation clauses in most of its contracts for supply of engineered pumps & execution of EPC contracts.

Working capital intensive nature of operation

WPIL's business is working capital intensive. 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. However, the major buyers withhold a percentage (generally 10-15%) of the contract price as retention money, and the same is paid after six to 12 months of completion of contract.

Intense competition in the domestic pump industry

The Indian pump industry is characterized by co-existence of small and large manufacturers and a few foreign players. Moreover, the company is also exposed to cheaper imports of pumps from China & Korea. Most of the manufacturers in the unorganized segment cater to the agricultural sector. Thus, WPIL is facing intense competition from the organised as well as unorganised sector players.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

About the company

WPIL, incorporated in 1952 by Johnston Pump Company Inc., USA, is engaged in manufacturing & 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 three manufacturing units in Kolkata and

one unit in Ghaziabad, Uttar Pradesh. Since 2011, WPIL has expanded its operation in the international market by acquiring pump companies in different regions of the world.

Brief Financials (Rs. in crore)	FY16 (Audited)	FY17 (Audited)
Total Operating Income	213.52	282.79
PBILDT	30.02	45.10
PAT	17.18	20.92
Overall Gearing	0.36	0.34
Interest Coverage	3.07	2.31

Any other information: Not applicable

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	53.25	CARE A ;Stable
Fund-based - LT/ ST-Packing Credit in Indian rupee	-	-	-	40.29	CARE A ;Stable/ CARE A1
Non-fund-based - LT/ ST-BG/LC	-	-	-	225.50	CARE A ;Stable/ CARE A1

Non-fund-based - ST-Forward Contract	-	-	-	0.96	CARE A1
Issuer Rating-Issuer Ratings	-	-	-	0.00	Withdrawn
Commercial Paper-CP/STD	-	-	-	15.00	CARE A1

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Commercial Paper-CP/STD	ST	15.00	CARE A1	-	1)CARE A1 (18-Apr-17)	-	1)CARE A1 (05-Oct-15) 2)CARE A1 (06-Apr-15)
2.	Fund-based - LT-Cash Credit	LT	53.25	CARE A ;Stable	-	1)CARE A; Stable (18-Apr-17)	-	1)CARE A (05-Oct-15) 2)CARE A- (06-Apr-15)
3.	Fund-based - LT/ ST-Packing Credit in Indian rupee	LT/ST	40.29	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (18-Apr-17)	-	1)CARE A / CARE A1 (05-Oct-15) 2)CARE A- / CARE A1 (06-Apr-15)
4.	Non-fund-based - LT/ ST-BG/LC	LT/ST	225.50	CARE A ;Stable/ CARE A1	-	1)CARE A; Stable / CARE A1 (18-Apr-17)	-	1)CARE A / CARE A1 (05-Oct-15) 2)CARE A- / CARE A1 (06-Apr-15)
5.	Non-fund-based - ST-Forward Contract	ST	0.96	CARE A1	-	-	-	-
6.	Issuer Rating-Issuer Ratings	Issuer rat	-	-	-	1)CARE A (1s) (18-Apr-17)	1)CARE A (1s) (14-Apr-16)	-

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