

WPIL Limited
November 27, 2018

Ratings

Facilities/Instruments [^]	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	87.21 (enhanced from 53.25)	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Long/Short Term Bank Facilities	361.83 (enhanced from 265.79)	CARE A; Stable/CARE A1 (Single A; Outlook: Stable /A One)	
Short Term Bank Facilities	0.96	CARE A1 (A One)	
Total	450.00 (Rs. Four hundred and fifty crore)		
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 the financial performance during FY18 (refers to the period April 1 to March 31) & H1FY19 (refers to the period April 1 to September 30) and comfortable financial risk profile. The ratings, however, are constrained by high exposure to the group companies having moderate credit profile, 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 and profitability, efficient management of the working capital requirement and improvement in the financial performance of its subsidiaries will continue to remain the key rating sensitivities.

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

WPIL has a track record of operation of more than six decades. It used to be a loss making company under the erstwhile promoters (B. M. Khaitan Group) till 2002. In 2002, it was taken over by Mr. Prakash Agarwal and the performance of the company was turnaround since 2004. 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 qualified management team who are taking all decisions under the guidance and supervision of the promoter (MD). Under his supervision, the company has expanded its operations globally via synergistic acquisitions made during 2011-15.

Strong order book position with reputed client portfolio

The order book position (Standalone domestic operations) as on Sept 30, 2018 was Rs.883.00 crore (as against Rs.859.6crore as on Dec.31, 2017), being 2.06x of net sales in FY18. Majority of the same is expected to be executed over a period of next one year. The client portfolio of the company is quite diversified comprising irrigation department of various states especially Telangana, Madhya Pradesh, Andhra Pradesh, central utilities, large PSUs and various private sector entities.

In addition to the above its international business segment (through subsidiary companies) also has a healthy order book position.

Improvement in the financial performance during FY18 and H1FY19

WPIL's (standalone level) total operating income improved significantly in FY18 with a y-o-y growth of ~50% mainly due to higher execution of orders. This coupled with better absorption of fixed overhead, PBILDT margins also bettered from ~14.88% in FY17 to ~16.72% in FY18. Accordingly the interest coverage ratio improved from 3.16x in FY17 to 6.85x in FY18 thereby accompanied with reduction in the interest cost. PAT margins also improved and GCA remained comfortable at Rs.50.97crore with no long term debt repayment obligations. During H1FY19, WPIL reported a total operating income of Rs.276.69crore vis-à-vis Rs.147.03crore in H1FY18.

²Complete definition of ratings assigned are available at www.careratings.com and in other CARE publications.

Further, at the consolidated level, the total operating income also improved from Rs.712.61crore in FY17 to Rs.846.04crore in FY18, with improvement in the profitability margins. The company reported PAT (consol.) of Rs.35.67crore in FY18 vis-à-vis loss of Rs.1.89crore in FY17 mainly backed by improvement in the financial performance of one of its step down subsidiary namely Gruppo Aturia SPA.

Comfortable financial risk profile

The capital structure of the company (standalone level) continued to remain comfortable with overall gearing of 0.32x as on March 31, 2018. Total Debt/GCA also remained comfortable and improved from 3.50x as on March 31, 2017 to 1.76x as on March 31, 2018.

Further at consolidated level, overall gearing and TD/GCA improved and remained comfortable at 0.80x & 3.49x as on March 31, 2018.

Key Rating Weaknesses

High exposure to subsidiaries

WPIL's funded exposure to group companies increased from Rs.129.05crore as on Mar 31, 2017 to Rs.157.79crore (accounting for 56% of net-worth) as on Mar 31, 2018. This was mainly on account of increase in trade receivables from group companies. Further, WPIL has also extended a corporate guarantee (Rs.35.90 crore outstanding as on Mar'18) to its subsidiary company against debt availed for the purpose of business acquisitions. The said non-fund based exposure has reduced substantially from Rs.125.90 crore in FY17, due to repayment of term debt availed for acquisition in its step down subsidiaries viz. Gruppo Aturia SPA and Mathers Foundry Ltd.

In terms of financial performance of its group companies; there has been an improvement in the profitability for Gruppo Aturia & WPIL SA Holdings in FY18, however, Aturia International Pte Ltd & Mathers Foundry Ltd continued to incur losses during the said period. Also performance of Sterling Pumps Australia deteriorated in FY18.

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 FY18. Given the prices of steel products (major raw material) which are volatile in nature; the profitability of the company is therefore susceptible to 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 and thus has a stretched operating cycle of more than four months. 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.

Liquidity

The current ratio of the company was 1.20x as on Mar 31, 2018. Besides that, the average cash credit utilization for the 12 months ended July 31, 2018 was 60.39%. The liquidity position of the company has improved on the back of improvement in operational cash flow from the core business.

On a standalone level, WPIL has an outstanding cash and bank balance of Rs.2.35crore as on March 31, 2018 and on a consolidated level, the group has an outstanding cash and bank balance of Rs.32.00crore as on March 31, 2018.

Analytical approach: Standalone while factoring linkages with group including corporate guarantees extended to group companies.

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](#)

[Rating Methodology: Factoring Linkages in Rating](#)

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. WPIL has also given a corporate guarantee of Rs.35.90 crore (reduced from Rs.125.90 crore in FY17) to its subsidiaries for debt availed for the purpose of acquisition.

Standalone Brief Financials (Rs. in crore)	FY17 (Audited)	FY18 (Audited)
Total Operating Income	285.08	428.20
PBILDT	42.43	71.60
PAT	20.28	47.56
Overall Gearing	0.34	0.32
Interest Coverage	3.16	6.85

Status of non-cooperation with previous CRA: Not applicable

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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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	-	-	-	87.21	CARE A; Stable
Fund-based - LT/ ST-Packing Credit in Indian rupee	-	-	-	32.79	CARE A; Stable / CARE A1
Non-fund-based - LT/ ST-BG/LC	-	-	-	329.04	CARE A; Stable / CARE A1
Non-fund-based - ST-Forward Contract	-	-	-	0.96	CARE A1
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 (06-Apr-18)	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	87.21	CARE A; Stable	1)CARE A; Stable (06-Apr-18)	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	32.79	CARE A; Stable / CARE A1	1)CARE A; Stable / CARE A1 (06-Apr-18)	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	329.04	CARE A; Stable / CARE A1	1)CARE A; Stable / CARE A1 (06-Apr-18)	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.	Issuer Rating-Issuer Ratings	Issuer rat	-	-	1)Withdrawn (06-Apr-18)	1)CARE A (Is) (18-Apr-17)	1)CARE A (Is) (14-Apr-16)	-
6.	Non-fund-based - ST-Forward Contract	ST	0.96	CARE A1	1)CARE A1 (06-Apr-18)	-	-	-

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