

December 13, 2024

Roots Multiclean Limited: Long-term rating upgraded to [ICRA]A+(Stable) and short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based cash credit	71.00	81.00	[ICRA]A+ (Stable); upgraded from [ICRA]A (Stable)
Long-term fund-based term loan	21.00	13.00	[ICRA]A+ (Stable); upgraded from [ICRA]A (Stable)
Long-term unallocated	0.70	0.56	[ICRA]A+ (Stable); upgraded from [ICRA]A (Stable)
Short-term non-fund based	45.55	43.69	[ICRA]A1; reaffirmed
Total	138.25	138.25	

*Instrument details are provided in Annexure-I

Rationale

The rating upgrade factors in Roots Multiclean Limited's (RMCL/the company) robust financial risk profile, reflected in the healthy profitability and comfortable capital structure and debt protection metrics along with the increased diversification of products and customers. The ratings also factor in a healthy CAGR of 12% in revenues over the last three years with revenues increasing to ~Rs. 450 crore in FY2024. Going forward, ICRA expects the company to continue to report a healthy growth in revenues along with maintaining strong debt coverage indicators.

The ratings also factor in RMCL's established brand presence in the industrial cleaning segment. Over the years, RMCL has benefited from the brand name of the Roots Group, and its established position and brand presence as one of the leading players in the industrial cleaning segment in India.

The ratings continue to be constrained by the intense competition in the industry. Further, the company's operating margin is exposed to the volatility in input price fluctuations, given the company's limited ability to hike prices on an immediate basis. ICRA also notes the high working capital intensity of the operations primarily due to the elevated inventory holding requirements.

The Stable outlook on RMCL's rating reflects ICRA's opinion that the company will continue to benefit from its established position as a mechanised cleaning equipment manufacturer and the favourable demand prospects that are expected to keep the earnings healthy, going forward. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, which will help expand the product portfolio, will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Established brand presence and vast experience in industrial cleaning industry - RMCL was incorporated in 1992 as a part of the Roots Group based in Coimbatore to manufacture mechanised cleaning equipment. Since then, RMCL has leveraged the brand of the Roots Group and has established itself as one of the top players in the industrial cleaning segment in India. The Roots Group of companies has a track record of over four decades in diverse segments such as horns, aluminium castings, plastic components and precision components, in addition to mechanised cleaning equipment.

Diversified customer base across diverse industries – The company caters to a wide variety of customers in the manufacturing and services sectors. No client forms over 5% of the revenue in the domestic market, thereby eliminating customer concentration risk. The company has increased its diversification in FY2024 with the addition of new products and customers. The customer base in the domestic market is expected to expand further as the industrial cleaning products segment is in a growth phase. Apart from industries, RMCL caters to the facility management services sector wherein corporates outsource their facility management needs. It also caters to government institutions, supported by new Government initiatives such as Clean India. It has been able to cater to the demands of customers effectively because of its after-sales services.

Healthy financial risk profile – RMCL has a firm financial risk profile, reflected in its healthy profitability, comfortable capital structure and strong debt protection metrics. The company's operating profitability improved to 17.3% in FY2024 from 16.5% in FY2023 largely on the back of addition of new products and also due to the benefits of scale. The return on capital employed (RoCE) remained strong at 21.8% in fiscal 2024, driven by healthy profitability, and is expected to sustain at around 19-20% over the medium term. The company's net worth was around Rs. 285 crore as on March 31, 2024. The capital structure continues to be comfortable with a gearing of 0.2 times as on March 31, 2024, driven by consistently healthy cash accruals and moderate reliance on external debt for funding its working capital requirement. Further, the debt protection metrics are strong, reflected in an interest coverage ratio of 15.8 times and total debt/OPBDITA of 0.8 times in FY2024.

Credit challenges

High working capital intensity - As the company manufactures a wide variety of products, it needs to maintain an inventory of finished goods and traded spares both at its factories and the branches, which along with the elongated debtors leads to high working capital intensity of operations (NWC/OI of 40-45% in the last five fiscals). The price fluctuations in raw materials have also prompted the company to hold a higher stock of raw materials.

Profitability exposed to increase in raw material prices - The company's profitability metrics remain exposed to the fluctuation in the prices of key raw materials – steel and aluminium – and the associated lag in passing on the hike to the customers. Hence, a timely pass-through of the hikes in input costs to customers remains key for RMCL's performance.

Intense competition - The competition is highly intense in the industrial cleaning industry, reducing the bargaining power against suppliers and customers. However, going forward, ICRA expects RMCL to witness a healthy OI growth because of sustained demand, improved geographical presence and regular addition of new products.

Liquidity position: Adequate

RMCL's liquidity position is likely to remain adequate, with healthy cash flow from operations against low fixed debt repayment obligations and buffer in working capital facilities (undrawn working capital limits of ~Rs. 81.08 crore as of August 2024 at a consolidated level). The average utilisation of the fund-based limits stood at ~29% (consolidated) during the last 14 months ended August 2024. Besides, the entity had ~Rs. 27.20 crore in fixed deposits and another ~Rs. 20.55 crore in mutual fund investments as on September 30, 2024.

Rating sensitivities

Positive factors – The ratings can be upgraded if the company demonstrates a significant improvement in its scale of operations while maintaining the profit margins with improved working capital cycle and liquidity position.

Negative factors – The ratings may be downgraded if there is a substantial decline in the scale of operations and profitability, leading to a deterioration of the key credit metrics. A large debt-funded capex or a stretch in the working capital cycle adversely impacting the liquidity profile and other key credit metrics will also affect the ratings. A total debt/OPBDITA of 1.5 times or above on a sustained basis at the consolidated level may also warrant a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of RMCL with its wholly-owned subsidiary – Roots Multiclean Inc., USA

About the company

RMCL, incorporated in 1992, started manufacturing mechanised cleaning equipment in the early 1990s through a techno-financial collaboration with Hako Werke GmbH, Germany. Initially, the technical alliance and joint venture partnership with Hako Werke had catapulted RMCL's global entry. RMCL later developed its own technological capabilities in product design and now launches its own products in several categories. Several RMCL products are among the leading brands in India in their respective categories. At present, the management has claimed to be the largest manufacturer and exporter of industrial cleaning equipment in India.

Key financial indicators (audited)

RMCL	Consolidated		Standalone	
	FY2023	FY2024	FY2023	FY2024
Operating income	392.4	450.8	328.2	368.7
PAT	36.3	48.2	35.4	47.0
OPBDIT/OI	16.5%	17.3%	18.6%	19.8%
PAT/OI	9.3%	10.7%	10.8%	12.7%
Total outside liabilities/Tangible net worth (times)	0.6	0.5	0.5	0.3
Total debt/OPBDIT (times)	1.0	0.8	0.5	0.3
Interest coverage (times)	10.8	15.8	14.5	33.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Dec 13, 2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Long term-cash credit-fund based	Long term	81.00	[ICRA]A+ (Stable)	11-Sep-23	[ICRA]A (Stable)	13-Jun-22	[ICRA]A (Stable)	05-Apr-21	[ICRA]A (Stable)
Long term-loan-fund based	Long term	13.00	[ICRA]A+ (Stable)	11-Sep-23	[ICRA]A (Stable)	13-Jun-22	[ICRA]A (Stable)	05-Apr-21	[ICRA]A (Stable)
Long term-unallocated	Long term	0.56	[ICRA]A+ (Stable)	11-Sep-23	[ICRA]A (Stable)	13-Jun-22	[ICRA]A (Stable)	05-Apr-21	[ICRA]A (Stable)
Short term-others-non fund based	Short term	43.69	[ICRA]A1	11-Sep-23	[ICRA]A1	13-Jun-22	[ICRA]A1	05-Apr-21	[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based – Cash credit	Simple
Fund based – Term loan	Simple
Unallocated	NA
Non-fund based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term fund-based – Cash credit	NA	NA	NA	81.00	[ICRA]A+ (Stable)
NA	Long-term fund-based – Term loan	Nov 29, 2019	NA	May 17, 2028	13.00	[ICRA]A+ (Stable)
NA	Long term - Unallocated	NA	NA	NA	0.56	[ICRA]A+ (Stable)
NA	Short-term – Non-fund based	NA	NA	NA	43.69	[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	RMCL Ownership	Consolidation Approach
Roots Multiclean Inc., USA	100.00%	Full Consolidation

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Prashant Vasisht

+91 12 4454 5322

prashant.vasisht@icraindia.com

Kushal Kumar B

+91 40 6939 6408

kushal.kumar@icraindia.com

Harjot Singh Panwar

+91 124 4545 414

harjot.panwar@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.