

July 09, 2012

CARE ASSIGNS 'CARE BB' AND 'CARE A4' RATINGS TO THE BANK FACILITIES OF FLOTECH ENGINEERING PVT LTD.

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	6.61	CARE BB (Double B)	Assigned
Short-term Bank Facilities	0.45	CARE A4 (A Four)	Assigned
Total Facilities	7.06		

Rating Rationale

The ratings assigned to the bank facilities of Flotech Engineering Private Limited (FEPL) are primarily constrained by its modest scale of operations, leveraged capital structure and modest liquidity position. The ratings are further constrained by FEPL's exposure to volatility in prices of raw material, its presence in highly fragmented industry with intense competition from both organized and unorganized sector.

The ratings, however, derive strength from vast experience of the promoter in submersible pump industry, FEPL's established marketing & distribution network and moderate profitability margins. Improvement in the overall financial risk profile with the increase in the scale of operations through strengthening of its distributor and dealer network, improvement in profitability through efficient management of raw material price volatility and improvement in the capital structure with better working capital management are the key rating sensitivities.

Background

FEPL was incorporated in 2001 by Mr Mansukhbhai Suvagiya, Mr Harsukhbhai Suvagiya and Mr Kishorbhai Radadiya. FEPL is an ISO 9001:2008 certified company and is engaged in the manufacturing of various types of pumps, which include submersible pumps, open-well pumps and mono-block pumps. These products are mainly used in the households, industrial and agriculture sector. As on March 31, 2012, FEPL had an installed capacity of 41,400 pumps sets per annum at Shapar, near Rajkot, Gujarat. The Bureau of Energy Efficiency (BEE) has assigned the highest rating of 'BEE 5 Stars' to the pump sets manufactured by FEPL. FEPL is an approved vendor of Gujarat Water Supply & Sewerage Board and South Central Railway. FEPL has a well-established and wide distribution network of dealers and distributors spread across the country.

FEPL has reported total operating income of Rs.21.25 crore and PAT of Rs.0.67 crore during FY11 (refers to the period from April 1 to March 31) as against Rs.19.24 crore and Rs.0.49 crore respectively during FY10.

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

Furthermore, as per provisional result of FY12, FEPL has reported total operating income of Rs.21.75 crore and Profit before Tax of Rs.1.25 crore.

Analyst Contact

Name: Nitin Jha

Tel # 079-40265619

Mobile # +91- 8511190080

Email: nitin.jha@careratings.com

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Mobile : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Suryanarayan Iyer Rangaswamy

Senior Vice President – Marketing

Mobile: +91 9867365827

mail: R.Suryanarayan@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Mobile +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Saikat Roy

Senior Vice President - Marketing

Mobile- +91 9820998779

Email saikat.roy@careratings.com

Mr. Ankur Sachdeva

Vice President – Banks & Financial Services

Mobile: +91-9819698985

E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LTD

HEAD OFFICE 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-022- 6754 3456 | E-mail: care@careratings.com | Fax: +91-022- 6754 3457.

KOLKATA | **Ms. Priti Agarwal** | Cell: +91-98319 67110 | Tel: +91-33- 4018 1600/ 1602 |

E- mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

CHENNAI | **Mr. V Pradeep Kumar** | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax: +91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

AHMEDABAD | **Mr. Mehul Pandya** | Cell: +91-98242 56265 | Tel: +91-79-40265656 | Fax: +91-79-40265657 | E-mail: mehul.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

NEW DELHI | **Ms. Swati Agrawal** | Cell: +91-98117 45677 | Tel: +91- 11- 2331 8701/ 2371 6199 |

E-mail: swati.agrawal@careratings.com | 3- Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

BENGALURU | **Mr. Dinesh Sharma** | Cell: +91 9900041975 | Tel: +91-80-22117140 |

E-mail: dinesh.sharma@careratings.com | Unit No. 8, I floor, Commander's Place, No. 6, Raja Ram Mohan Roy Road, (Opp. P F Office), Richmond Circle, Bangalore - 560 025.

HYDERABAD | **Mr. Ashwini Kumar Jani** | Cell: +91-9160074789. | Tel: +91-40-40102030 |

E-mail: ashwini.jani@careratings.com | 401, Ashoka Scintilla | 3-6-520, Himayat Nagar | Hyderabad - 500 029.

PUNE | **Mr. Rahul Patni** | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 |

E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.