

May 23, 2013

CARE ASSIGNS 'CARE BB-' AND 'CARE A4' RATINGS TO THE BANK FACILITIES OF BARODA EQUIPMENTS AND VESSELS PRIVATE LIMITED**Rating**

Facilities	Amount (Rs. Crore)	Ratings ¹	Remarks
Long-term Bank Facilities	6.50	CARE BB- (Double B Minus)	Assigned
Short-term Bank Facilities	3.00	CARE A4 (A Four)	Assigned
Total	9.50		

Rating Rationale

The ratings assigned to the bank facilities of Baroda Equipments and Vessels Private Limited (BEVPL) are primarily constrained by its short track record of operations in the highly capital-intensive industry with losses reported for the past three years ending FY12 (refers to the period April 1 to March 31). The ratings are further constrained by the long operating cycle and susceptibility of the operating margins to volatile raw material prices and foreign exchange fluctuations.

The ratings, however, draw strength from experienced and resourceful promoters, well-established clientele, certified product portfolio and its healthy growth in the income and profitability during FY13 along with comfortable capital structure and debt coverage indicators.

The ability of BEVPL to increase its scale of operations with strengthening the order book position and improvement in profitability along with efficient management of its working capital are the key rating sensitivities.

Background

Vadodara-based BEVPL was incorporated in October 2007 by five technocrats having wide experience in the heavy engineering industry in global markets outside India. BEVPL manufactures varied range of customized products like pressure vessels, heat exchangers, pressure piping, storage tanks, boiler pressure parts, skid-mounted assemblies and miscellaneous static equipment for process plants. The manufacturing unit of BEVPL is located at Tal. Padra, District Vadodara.

As against a net loss of Rs.2.85 crore on a total operating income of Rs.8.05 crore in FY11, BEVPL continued to report a net loss of Rs.2.27 crore on a total operating income of Rs.10.38 crore during FY12.

As per the provisional results for FY13, the company reported net profit of Rs.0.47 crore on a total operating income of Rs.19.37 crore.

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

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