

MAY 26, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF SHAKTI PUMPS (INDIA) LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	93.32 (Reduced from 100.23)	CARE BBB+ (Triple B Plus)	Reaffirmed
Short-term Bank Facilities	78 (Enhanced from 43)	CARE A2 (A Two)	Reaffirmed
Long-term / Short-term Bank Facilities	2	CARE BBB+ / CARE A2 (Triple B Plus / A Two)	Reaffirmed
Total Facilities	173.32		

Rating Rationale

The ratings continue to derive strength from established operations of Shakti Pumps (India) Limited (SPIL) in the submersible pumps and motors segment aided by its experienced promoters and strong distribution network. The ratings also factor its strong presence in the export market, growth in domestic sales on the back of strong brand promotion campaign and diversification of product mix; along with improvement in its profitability and operating cycle while maintaining a moderate leverage.

The ratings, however, continue to be constrained by its working capital intensive operations, susceptibility to volatility in raw material prices and forex rates; and intense competition in the pumps industry.

SPIL's ability to further increase its scale of operations especially in the domestic market by leveraging upon its brand promotion campaign while maintaining its healthy profitability and strong presence in the export market; along with improvement in its working capital management would be the key rating sensitivities.

Background

Incorporated in 1995, SPIL took over the submersible pump manufacturing business of the erstwhile partnership firm of Mr Manoharlal Patidar and his family members which was set up in 1982. The company is engaged in manufacturing of electrical pumps and motors with its manufacturing facilities located at Pithampur, near Indore in Madhya Pradesh with a manufacturing capacity of one million pumps per annum (p.a.). The company's product range includes submersible pumps, pressure booster pumps, solar pumps, etc. which find application in irrigation, residential and industrial sectors. In addition to the domestic distribution channel and direct exports, SPIL has also established subsidiaries in United Arab Emirates (UAE) and United States of America (USA) to enhance its presence in key export markets.

During FY14 (refers to the period April 1 to March 31), SPIL registered a total operating income of Rs.306.37 crore with a PAT of Rs.26.05 crore as compared to a total operating income of Rs.216.47 crore with a PAT of Rs.17.81 crore in FY13. Furthermore, as per the provisional results, SPIL earned a PAT of Rs.17.79 crore on a total operating income of Rs.210.64 crore in 9MFY15 as against a PAT of Rs.16.95 crore on a total operating income of Rs.208.60 crore in 9MFY14.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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