

### Filtration Engineers India Private Limited: Downgraded

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	3.00*	SMERA BB-/Stable (Reaffirmed)
Bank Guarantee	5.25^	SMERA A4 (Downgraded from SMERA A4+)

\*Includes sublimit of Bill Discounting to the extent of Rs.1.00 crore

^Includes sublimit of Letter of Credit to the extent of Rs.2.00 crore

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.3.00 crore bank facility of Filtration Engineers India Private Limited (FEIPL) and downgraded the short term rating on the Rs.5.25 crore bank facility to '**SMERA A4**' (read as **SMERA A four**) from 'SMERA A4+' (read as SMERA A four plus). The outlook is '**Stable**'. The rating downgrade reflects decline in revenue along with stretched working capital cycle of the company.

The ratings continue to draw comfort from the company's experienced management, reputed clientele and moderate financial risk profile. However, the ratings are constrained by the small-scale of operations, uneven revenue trend and working capital intensive business.

#### Update

The company's financial risk profile continues to remain moderate marked by comfortable gearing (debt-to-equity ratio) of 1.39 times, interest coverage ratio of 2.53 times and return on capital employed (RoCE) of 14.46 per cent in FY2014-15.

The company reported profit after tax (PAT) of Rs.0.40 crore on operating income of Rs.16.69 crore in FY2014-15 as compared to PAT of Rs.0.43 crore on operating income of Rs.11.74 crore in the previous year. There has been significant revenue growth of ~42 per cent in FY2014-15 mainly on account of completion of orders of the previous year. Further, the operating income stood at Rs.13.71 crore (provisional) for FY2015-16.

However, the scale of operations continues to remain small and exhibit uneven trend due to high dependence on government orders. The profitability declined marginally in FY2014-15 over the previous year with increase in raw material prices and limited pricing flexibility. However, the operating margin continues to remain healthy at 10.17 per cent in FY2014-15 as against 12.35 per cent in the previous year. Further, FEIPL's operations are working capital intensive marked by high gross current asset days of 203 in FY2014-15. The same has further stretched to 292 days in FY2015-16 (provisional).

#### Rating Sensitivity Factors

- Scaling up operations while maintaining profitability amidst intense competition
- Efficient working capital management

#### Outlook-Stable

SMERA believes that the outlook of FEIPL will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company achieves substantial growth in revenue while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or deterioration in the financial risk profile.

**Criteria applied to arrive at the ratings:**

- Manufacturing Entities

**About the Company**

FEIPL, incorporated in 1994, is a Mumbai-based company engaged in the manufacture of industrial filters and strainers that find application in refineries, petrochemical plants and other engineering industries. The company is promoted by Mr. Sunil Agarwal, who possess around three decades of experience in the filtration industry.

For FY2014-15, FEIPL reported profit after tax (PAT) of Rs.0.40 crore on operating income of Rs.16.69 crore as compared with PAT of Rs.0.43 crore on operating income of Rs.11.74 crore for FY2013-14. Further, FEIPL reported PAT of Rs.0.62 crore on operating income of Rs.13.71 crore (Provisional) for FY2015-16.

**Rating History**

Date	Name of the Instruments	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
30 March, 2015	Cash Credit	3.00	SMERA BB-(Assigned)	-	Stable
	Bank Guarantee	5.25	-	SMERA A4+(Assigned)	-

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**ABOUT SMERA**

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