

April 06, 2015

| Facility | Amount (Rs. Crore) | Rating |
|-------------|-----------------------|----------------------------|
| Cash Credit | 12.00 | SMERA BB/Stable (Assigned) |

SMERA has assigned a rating of **'SMERA BB' (read as SMERA double B)** to the abovementioned bank facility of Deekay Electricals (DE). The outlook is **'Stable'**. The rating is supported by the firm's established operations and experienced management. The rating also draws comfort from the firm's established relations with principals. However, the rating is constrained by the firm's moderate financial risk profile and working capital-intensive operations. The rating notes that the firm faces intense competition in the electrical industry. The rating is also constrained by the firm's exposure to supplier concentration risk.

DE, established in 1996, is a Chennai-based distributor of electrical products. DE benefits from its experienced management. Mr. Arun Kumar, managing Partner of DE, has around two decades of experience in the electrical industry. DE also benefits from its established relations with several reputed suppliers (principals) such as Polycabs, Seimens, Neptune and Orbit.

DE's moderate financial risk profile is reflected in gearing (debt-to-capital ratio) of 2.46 times as on March 31, 2014 and interest coverage ratio of 1.24 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's operations are working capital- intensive. The firm's cash credit utilisation is high at 91 per cent during September 2014 to February 2015.

DE faces intense competition from several players in the electrical industry. The firm is exposed to supplier concentration risk arising from high dependence on distribution of products manufactured by Polycabs.

Outlook: Stable

SMERA believes DE will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers strong growth in scale of operations while achieving sustained improvement in profitability and coverage indicators. The outlook may be revised to 'Negative' in case the firm fails to achieve the projected scalability in revenues, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

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SMERA RATINGS LIMITED

Deekay Electricals (DE)

*Rating
Rationale*

About the firm

DE, established in 1996, is a Chennai-based partnership firm promoted by Mr. Arun Kumar. DE is engaged in trading of electrical goods such as wires, switch gears and cables.

For FY2013-14, DE reported profit after tax of Rs.1.66 crore on total income of Rs.105.05 crore, as compared with profit after tax of Rs.1.84 crore on total income of Rs.107.54 crore in FY2012-13. The firm's capital stood at Rs.9.51 crore as on March 31, 2014, as compared with Rs.8.99 crore a year earlier.

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