

March 18, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	12.00	SMERA BB/Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.12.00 crore bank facility of Deekay Electricals (DE). The rating continues to draw comfort from the firm's established operations and experienced management. However, the rating continues to remain constrained by the moderate financial risk profile, working capital intensive operations and exposure to supplier concentration risk.

Update

DE's operating income increased to Rs.110.78 crore in FY2014-15 (refers to financial year, April 01 to March 31) from Rs.105.05 crore in FY2013-14. For the period April 2015 to December 2016, the firm registered operating income of Rs.85.83 crore. The operating margins marginally declined to 3.44 percent in FY2014-15 from 3.72 percent in FY2013-14. DE has a moderate financial risk profile marked by high gearing of 2.56 times as on March 31, 2015 compared to 2.07 times in FY2013-14 and moderate debt protection metrics with interest coverage ratio at 1.89 times for FY2014-15.

Rating Sensitivity Factors

- Scaling up of operations while maintaining profit margins
- Improvement in debt coverage indicators

Outlook -Stable

SMERA believes that the outlook on DE's rated facilities will remain stable over the medium term owing to its experienced management and established track record. The outlook may be revised to 'Positive' if the firm registers sustained improvement in profit margins while maintaining healthy revenue growth or better working capital management. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profit margins or significant deterioration in the capital structure on account of larger-than-expected working capital requirements. Further, undertaking of major debt-funded capex by the firm may also entail a 'Negative' outlook.

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About the Firm

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

For FY2014–15 (refers to financial year, April 01 to March 31), DE registered net profit of Rs.1.73 crore on net sales of Rs.110.78 crore as compared with net profit of Rs.1.66 crore on net sales of Rs.105.05 crore in the previous year.

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