

Press Release

08 June, 2017

Deekay Electricals

Rating Reaffirmed

Total Bank Facilities Rated *	Rs. 12.00 Cr.
Long Term Rating	SMERA BB/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 12.00 crore bank facilities of Deekay Electricals. The outlook is '**Stable**'.

Deekay Electricals (DE) is a Chennai-based partnership firm led by partners, Mr. Arun Kumar and Mrs. Sunitha Arun. DE is a distributor of electrical products of Polycabs, Siemens India, Neptune Electric Company among others.

Key Rating Drivers

Strengths

- **Distributor for reputed companies**

Deekay Electricals (DE) is a distributor of electrical products of reputed companies such as Polycab, Siemens, Neptune Electric Company and Orbit Industries.

- **Established track record of operation and experienced management**

The firm, established in 1996 by Mr. Arun Kumar benefits from its established track record of operations and extensive industry experience of the promoter.

Weaknesses

- **Average financial risk profile**

DE has average financial risk profile marked by high gearing of 2.38 times as on 31 March, 2016 as compared to 2.56 times in the previous year. The interest coverage ratio stood at 1.61 times for FY2015-16 as against 1.62 times for FY2014-15. The net worth stood at Rs. 11.39 crore as on 31 March, 2016 as against Rs.8.38 crore in the previous year. The total debt mainly consists of working capital facilities, vehicle loans, working capital demand loan and interest bearing unsecured loans.

- **Supplier concentration risk**

While DE is an authorised dealer of the aforementioned companies, around 60 per cent of its revenue is generated from the sale of Polycabs products.

- **Working capital intensive operations**

The operations of DE are working capital intensive with working capital cycle in the range of 100 - 130 days. The debtor days have remained high on account of the competitive nature of the industry and consequently high credit period offered to customers. Payments to suppliers are made within a period of 30 - 60 days.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

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 of operations. The outlook may be revised to 'Positive' in case of sustained improvement in profit margins while maintaining healthy revenue growth or if the firm achieves better working capital management. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profit margins, deterioration in capital structure on account of larger-than-expected working capital requirements or if the firm undertakes major debt-funded capex.

About the Rated Entity - Key Financials

For FY2015-16, DE reported Profit after Tax (PAT) of Rs.1.75 crore on operating income of Rs.112.82 crore as compared to PAT of Rs.1.73 crore on operating income of Rs.110.78 crore in FY2014-15. The net worth stood at Rs.11.39 crore as on 31 March, 2016 as against Rs.8.38 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Mar-2016	Cash Credit	Long Term	INR 12	SMERA BB / Stable
06-Apr-2015	Cash Credit	Long Term	INR 12	SMERA BB / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BB / Stable

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ABOUT SMERA

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