

Press Release

02 August, 2017

Deekay Electricals (DE)

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.23.00 Cr (Enhanced from Rs.12.00 Cr)
Long Term Rating	SMERA BB / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.23.00 crore bank facilities of Deekay Electricals. The outlook is '**Stable**'.

Deekay Electricals (DE), established in 1996, is a Chennai-based partnership firm led by partners, Mr. Arun Kumar and Mrs. Sunitha Arun. The firm is a distributor of electrical products.

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 operations 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.

- **Moderate financial risk profile**

DE has moderate financial risk profile marked by comfortable gearing of 1.39 times as on March 31, 2017 (Provisional) as compared to 2.38 times in the previous year. The interest coverage ratio stood at 2.05 times for FY2017 (Provisional) as against 1.91 times for FY2015-16. The net worth stood at Rs. 18.51 crore as on 31 March, 2017 (provisional) as against Rs.11.39 crore in the previous year.

Weaknesses

- **Supplier concentration risk**

While DE is an authorised dealer of the aforementioned companies, around 60 percent of its revenue is generated from the sale of Polycab 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 profile of the entity.

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 a 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 capital expenditure.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), DE reported Profit after Tax (PAT) of Rs.2.49 crore on operating income of Rs.125.43 crore compared to PAT of Rs.1.75 crore on operating income of Rs.112.82 crore in FY2015-16. The net worth stood at Rs.18.51 crore as on March 31, 2017 (provisional) against Rs.11.39 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
08-June- 2017	Cash Credit	Long Term	INR 12	SMERA BB / Stable (Reaffirmed)
18-Mar-2016	Cash Credit	Long Term	INR 12	SMERA BB / Stable (Reaffirmed)
06-Apr-2015	Cash Credit	Long Term	INR 12	SMERA BB/Stable (Assigned)

***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	23.00	SMERA BB / Stable (Reaffirmed)

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ABOUT SMERA

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