

April 13, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.98	SMERA B/ Stable (Assigned)
Bank Guarantee	3.02	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B**' (read as SMERA single B) to the Rs.1.98 crore long-term (fund based) bank facility and '**SMERA A4**' (read as SMERA A four) to the Rs.3.02 crore short-term (non-fund based) bank facility of Disha Enterprises (DE). The outlook on the long-term rating is '**Stable**'. The ratings derive comfort from the firm's experienced management and reputed clientele. However, the ratings are constrained by the firm's small-scale operations, low profit margins and weak financial risk profile. The ratings factor in risks related to the proprietorship constitution of the firm.

DE, established in 2002, is an Ahmedabad-based proprietorship firm engaged in supplying manpower on contract basis. DE benefits from its experienced management. Mr. Dinesh Patel, proprietor of DE, has around 15 years of experience in the firm's line of business. DE caters to several reputed customers such as Torrent Pharmaceutical Ltd., Astral Polytechnic Limited and Hi-Rel Electronics Limited.

DE has small-scale operations with revenue of Rs.19.14 crore in FY2013-14 (refers to financial year, April 01 to March 31). The firm's profit margins are susceptible to intense competitive pressure. DE has registered low operating profit margins (0.50-1.30 per cent) over the past three years. The firm's profit before tax of Rs.0.21 crore (in FY2013-14) is mainly supported by non-operating income (interest receipts) of Rs.0.16 crore. DE's weak financial risk profile is reflected in modest capital base of Rs.0.46 crore and high gearing (debt-to-capital ratio) of 5.62 times as on March 31, 2014. The firm's total debt of Rs.2.59 crore (as on March 31, 2014) includes interest-bearing unsecured loans of Rs.1.84 crore from promoters and related parties. The aforementioned unsecured loans are not subordinated to bank debt.

DE has significant exposure (in the form of investments and loans) to related parties and affiliates. The firm's financial profile is susceptible to withdrawal of capital by proprietor.

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**Outlook:Stable**

SMERA believes DE will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case firm registers lower-than-expected revenue, or in case of deterioration in the firm's profitability or capital structure.

**About the firm**

DE, established in 2002, is an Ahmedabad-based proprietorship firm promoted by Mr. Dinesh Patel. DE supplies manpower on contract basis.

For FY2013-14, DE reported profit before tax of Rs.0.21 crore on operating income of Rs.19.14 crore, as compared with profit before tax of Rs.0.15 crore on operating income of Rs.15.40 crore in FY2012-13. The firm registered revenue of ~Rs.33.24 crore (provisional) in FY2014-15. DE's capital stood at Rs.0.46 crore as on March 31, 2014, as compared with Rs.0.34 crore a year earlier.

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