

May 18, 2015

Facilities	Amount (Rs. Crore)	Ratings
Demand Cash Credit	8.00	SMERA BB+/Stable (Assigned)
Term Loan	5.50	SMERA BB+/Stable (Assigned)
Export Packing Credit	1.00	SMERA A4+ (Assigned)
Letter of Guarantee*	5.00	SMERA A4+ (Assigned)
Bank Guarantee	15.00	SMERA A4+ (Assigned)

*One-way interchangeability from Letter of Credit to Bank Guarantee

SMERA has assigned a long-term rating of '**SMERA BB+**' (read as SMERA double B plus) and a short-term rating of '**SMERA A4+**' (read as SMERA A four plus) to the Rs.34.50 crore bank facilities of CEE DEE Vacuum Equipment Private Limited (CDVEPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management, reputed clientele and diversified product profile. The ratings also draw comfort from the company's healthy financial profile and strong order book position. However, the ratings are constrained by the company's debt-funded capex, small-scale operations and working capital-intensive business. The ratings note that the company faces intense competition.

CDVEPL, incorporated in 1988, is a Pune-based company engaged in manufacturing of oil purification systems. CDVEPL benefits from its experienced management. Mr. Suhas Dhamale and Mr. Nitin Dhamale, promoters of CDVEPL, have around 20 years of experience in the company's line of business. CDVEPL caters to several reputed customers such as BHEL, NTPC, Alstom India Ltd. and Crompton Greaves Ltd. CDVEPL's diversified product portfolio includes transformer oil filtration plants, electrostatic oil cleaners and oil purification systems.

CDVEPL's healthy financial risk profile is reflected in operating profit margin of 12.16 per cent and return on capital employed (RoCE) of 30.47 per cent in FY2013–14. The company has comfortable debt protection metrics with low leverage (debt-equity ratio) of 0.73 times as on March 31, 2014 and healthy interest coverage ratio of 3.86 times in FY2013–14. CDEVPL has a strong order book position with pending orders of Rs.22.51 crore as on January 31, 2015.

CDVEPL is undertaking a debt-funded capex of ~Rs.7.50 crore for integration of its manufacturing facilities. The project cost will be funded through debt of Rs.5.50 crore and promoters' funds of Rs.2.00 crore. The company has small-scale operations marked by operating income of Rs.38.77 crore in FY2013–14. CDVEPL's operations are working capital-intensive on account of stretched collection period of 144 days in FY2013–14.

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Outlook: Stable

SMERA believes CDVEPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue while achieving sustained improvement in profitability. The outlook may be revised to 'Negative' in case of decline in the company's revenue and profit margins, or in case of deterioration in the company's capital structure on account of higher-than-expected working capital requirements.

About the company

CDVEPL, incorporated in 1988, is a Pune-based company promoted by Mr. Suhas Sopanrao Dhamle and Mr. Nitin Sopanrao Dhamle. CDVEPL undertakes designing and manufacturing of oil purification systems. CDVEPL's net worth stood at Rs.11.41 crore as on March 31, 2014, as compared with Rs.9.25 crore a year earlier.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in	Jyoti Punjabi Associate Vice President – Corporate Ratings Tel: +91-22-6714 1133 Email: jyoti.punjabi@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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