

## Press Release

### Deccan Water Treatment Private Limited (DWTPL)

07 February, 2017

#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.6.50 Cr
<b>Long Term Rating</b>	SMERA B-/Stable (Suspension Revoked, Rating Assigned)
<b>Short Term Rating</b>	SMERA A4 (Suspension Revoked, Rating Assigned)

*\*Refer Annexure for details*

#### Rating Rationale

SMERA has revoked the suspension of rating on the Rs.6.50 crore bank facilities of Deccan Water Treatment Private Limited (DWTPL) and assigned long term rating of **SMERA B- (read as SMERA B minus)** and short term rating of **'SMERA A4' (read as SMERA A four)**. The outlook is **'Stable'**.

SMERA had on June 30, 2016 suspended the rating for lack of necessary information from DWTPL. The company has now shared the requisite information, enabling SMERA to assign a rating to the bank facilities.

The Pune-based DWTPL, incorporated in 2004 was promoted by Mr. Anirban Sarkar and Mr. Surjeet Arora. The company is engaged in the assembling and installation of water treatment plants.

#### List of key rating drivers and their detailed description

##### Strengths:

**Experienced management:** DWTPL was promoted by Mr. Anirban Sarkar and Mr. Surjeet Arora who possess over a decades experience in the aforementioned line of business.

**Low gearing (Debt to equity ratio):** The gearing level (debt-to-equity) is low at 0.34 times as on 31 March, 2016 and 0.38 times as on 31 March, 2015.

##### Weaknesses:

**Modest scale of operations:** The scale of operations is modest with operating income of Rs.20.31 crore in FY2015-16 as against Rs.32.92 crore in FY2014-15. The decline in revenues is on account of low demand from end users. Further, as indicated by the management, the company has achieved revenue of Rs.6.38 crore for 8MFY2016-17.

**Uneven profit margins:** The operating margin stands at 18.10 per cent in FY2015-16 as compared to 20.29 percent in FY2014-15. The net profit margin stands at 8.63 per cent in FY2015-16 as compared to 10.32 per cent in FY2014-15.

**Working capital intensive operations:** The operations are working capital intensive reflected in the gross current assets (GCA) of 1278 days in FY2015-16, an increase from 712 days in the previous year. The Debtor days stand at 1242 in FY2015-16 as compared to 674 days in FY2014-15. The debtors outstanding more than six months stands at Rs.69.03 crore in FY2015-16 as compared to Rs.60.81 crore in FY2014-15. The bank limit has been fully utilised in the last six months ended 31 November, 2016.

**Analytical approach:** SMERA has considered the standalone business and financial risk profiles of DWTPL.

**Applicable Criteria**

- Services Sector - <https://www.smera.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

**Outlook: Stable**

SMERA believes that DWTPL will maintain a stable outlook over the medium term owing to its promoters' extensive experience. The outlook may be revised to 'Positive' in case of improvement in revenues, profitability and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues or profitability or further stretch in the working capital cycle.

**About the Rated Entity**

DWTPL is a Pune-based company incorporated in 2004 by Mr. Anirban Sarkar and Mr. Surjeet Arora. The company is engaged in the assembling and installation of water treatment plants.

For FY2015-16, the company reported profit after tax (PAT) of Rs.1.75 crore on operating income of Rs.20.31 crore, as compared with PAT of Rs.3.40 crore on operating income of Rs.32.92 crore in FY2014-15. The net worth stood at Rs.25.59 crore as on 31 March, 2016 against Rs.23.05 crore a year earlier.

**Status of non-cooperation with previous CRA (if applicable):** Crisil, vide release dated February 10, 2015 has suspended its ratings on account of lack of adequate information required for monitoring of ratings.

**Any other information:** Not Applicable

**Rating History for the last three years:**

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	2.50	SMERA B-/Stable (Suspension Revoked, Rating Assigned)	30 June, 2016	SMERA B-/Stable (Suspended)	21 May, 2015	SMERA B-/Stable (Assigned)	-	-
Working Capital Term Loan	LT	3.92	SMERA B-/Stable (Suspension Revoked, Rating Assigned)	30 June, 2016	SMERA B-/Stable (Suspended)	21 May, 2015	SMERA B-/Stable (Assigned)	-	-
Funded Interest Term Loan	LT	-	-	30 June, 2016	SMERA B-/Stable (Suspended)	21 May, 2015	SMERA B-/Stable (Assigned)	-	-
Proposed Fund Based Facilities	LT	0.06	SMERA B-/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	0.02	SMERA A4 (Suspension Revoked, Rating Assigned)	30 June, 2016	SMERA A4 (Suspended)	21 May, 2015	SMERA A4 (Assigned)	-	-

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	2.50	SMERA B-/Stable (Suspension Revoked, Rating Assigned)
Working Capital Term Loan	April 2015	N.A	March 2020	3.92	SMERA B-/Stable (Suspension Revoked, Rating Assigned)
Proposed Fund Based Facilities	N.A	N.A	N.A	0.06	SMERA B-/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	0.02	SMERA A4 (Suspension Revoked, Rating Assigned)

**Note on complexity levels of the rated instrument:** <https://www.smera.in/criteria-complexity-levels.htm>

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## ABOUT SMERA

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