June 18, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	**33.00**	**SMERA B-/Stable (Assigned)**
Cash Credit	**7.00**	**SMERA B-/Stable (Assigned)**
Letter of Credit	**2.07**	**SMERA A4 (Assigned)**

SMERA has assigned a long-term rating of '**SMERA B-' (read as SMERA B minus)** and short-term rating of **'SMERA A4' (read as SMERA A four)** to the Rs.42.07 crore bank facilities of Disti Chemi Process Engineering Private Limited (DCPEPL). The outlook is **'Stable'**. The rating is constrained by the company's modest-scale of operations, low profitability and weak financial risk profile. The rating is also constrained by the company's exposure to customer concentration risk and stretched liquidity position. However, the rating draws comfort from the company's experienced management.

DCPEPL, incorporated in 2007, is a Mumbai-based company engaged in turnkey projects for distilleries, fuel ethanol, malt spirit and alcohol based chemical plants. The company's revenues have been uneven from FY2009-10 to FY2013-14 mainly due to the turnkey based nature of business. DCPEPL is exposed to project execution risk affecting the revenue visibility and profitability. The company has modest-scale of operations with revenues of around Rs.3.05 crore in FY2013–14 (refers to financial year, April 01 to March 31) when compared to Rs.37.53 crore in FY2012-13. DCPEPL's net worth is low at Rs.5.08 crore as on March 31, 2014. The company's profits of Rs.0.56 crore in FY2013-14 are largely supported by non-operating income of Rs.1.73 crore.

DCPEPL undertakes around 2 projects in a year and has an order book of around Rs.43.00 crore to be executed in FY2015-16. However, orders of around Rs.31.00 crore are from Padmashri Dr. Vitthalrao Vikhe Patil Sahakari Sakhar Karkhana Limited (PDVVPSSKL), a co-operative sugar factory, for modernisation of its existing distillery plant. Thus, DCPEPL is exposed to customer concentration risk.

The company has availed a project term loan of Rs.33.00 crore to fund the distillery project of PDVVPSSKL. DCPEPL has entered into a tripartite agreement (between PDVVPSSKL, bank and DCPEPL) and has also received 36 post-dated cheques for the repayment of said term loan from PDVVPSSKL. However, adequate cash flow generation from PDVVPSSKL distillery plant for loan servicing remains the key rating sensitivity. The project is expected to be completed by June end, 2015.

DCPEPL has a weak financial risk profile. The overall gearing (debt-to-net worth ratio) stood high at 4.31 times as on March 31, 2014 while the interest coverage ratio was low at 0.90 times in FY2013-

14. The company has fully utilized the cash credit limit from October, 2014 to April, 2015. Further, the company frequently avails of temporary overdraft facilities to meet its working capital requirements. DCPEPL is headed by Mr. Sunil Kansara, Managing Director who has around two decades of experience in executing turnkey projects.

Outlook: Stable

SMERA believes that the company will maintain a stable business profile in medium term. The outlook may be revised to 'Positive' in case the company registers strong growth in revenue while achieving sustained improvement in profit margins and financial risk profile. The outlook may be revised to 'Negative' in case of steep decline in the company's revenue and profit margins, or in case of deterioration in the company's capital structure.

About the Company

Disti Chemi Process Engineering Private Limited (DCPEPL) was incorporated in 2007 by Mr. Sunil Kansara to execute turnkey projects for distilleries, fuel ethanol, malt spirit and alcohol based chemical plants. The company reported PAT (profit after tax) of Rs.0.56 crore on operating income of Rs.3.05 crore for FY2013–14, as compared with net loss of Rs.0.29 crore on operating income of Rs.37.53 crore in FY2012–13. The company registered revenue of Rs.13.60 crore (provisional) for FY2014-15. DCPEPL's net worth stood at Rs.5.08 crore as on March 31, 2014, as compared with Rs.4.52 crore a year earlier.

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