

**January 21, 2016**

Facilities	Amount (Rs. Crore)	Rating
Overdraft	3.00	SMERA A4+ (Assigned)
Bank Guarantee	12.00	SMERA A4+ (Assigned)

SMERA has assigned rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.15.00 crore short-term bank facilities of Deshmukh and Company (DC). The rating is constrained by the decline in operating income in FY2014-15 and high geographical concentration risk. However, the rating derives support from the firm's healthy financial risk profile, healthy order book and experienced promoters.

DC's healthy financial risk profile is marked by debt-to-capital ratio of one times and interest coverage ratio of 9.66 times in FY2014-15. The operating margins have increased to 11.65 percent in FY2014-15 from 10.44 percent in FY2013-14. The firm has a healthy order book position with pending orders worth Rs.100.00 crore that are likely to be executed in the next two years. Besides, the promoters have over three decades of experience in the civil construction business. However, DC has reported operating income of Rs.50.83 crore in FY2014-15 as compared with Rs.60.15 crore in FY2013-14.

The firm's business is confined only to Maharashtra and hence it is exposed to geographical concentration risk. Besides, impact of economic cycles or reduction in the budgetary allocation for infrastructure development for the state may adversely affect the firms' cash flow.

**Rating Sensitivity Factors**

- Sustained growth in revenues and profitability
- Ability to acquire new projects

**About the Firm**

DC, established in 1981 by Mr. Balasaheb Deshmukh, is a Maharashtra-based class I A contractor. The firm undertakes construction of buildings, bridges and roads for government authorities such as the Public Works Department (PWD) of Maharashtra, National Highways and Pradhan Mantri Gram Sadak Yojna in Maharashtra.

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

## Deshmukh and Company (DC)

## Rating Rationale

### Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Mr. Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Email: <a href="mailto:antony.jose@smera.in">antony.jose@smera.in</a> Web: <a href="http://www.smera.in">www.smera.in</a>	Mr. Vinay Chhawchharia Associate Vice President – Corporate Ratings Tel: +91-22-6714 1156 Email: <a href="mailto:vinay.chhawchharia@smera.in">vinay.chhawchharia@smera.in</a>	Tel: +91 22 6714 1184 Email: <a href="mailto:ratingdesk@smera.in">ratingdesk@smera.in</a>

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.