

Deccan Engineering Constructions Private Limited: Assigned

Name of the Instruments	Amount (Rs. Crore)	Ratings/Outlook
Overdraft	4.00	SMERA B+/Stable (Assigned)
Bank Guarantee	4.00	SMERA A4 (Assigned)
Overdraft (Proposed)	2.00	SMERA B+/Stable (Assigned)

SMERA has assigned ratings of **‘SMERA B+’ (read as SMERA B plus)** and **‘SMERA A4’ (read as SMERA A four)** to the Rs.10.00 crore bank facilities of Deccan Engineering Constructions Private Limited (DECPL). The outlook is **‘Stable’**.

The ratings are constrained by geographic concentration risk and uneven revenue trend due to high dependence on tender-based government orders. The ratings also factor in the intensely competitive civil construction industry. However, the ratings draw comfort from the established track record of operations and experienced management.

The operations of the company (limited to Tamil Nadu) are highly dependent on tender-based government orders. Further, the company is exposed to intense competition in the civil construction business. DECPL reported revenue of Rs.17.31 crore for FY2014-15 as against Rs.6.65 crore in the previous year.

The company benefits from its experienced management. The promoter Mr. V. V. D. Murali possesses over two decades of experience in the civil construction industry.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Efficient working capital management

Outlook-Stable

SMERA believes that the outlook on DECPL’s rated facilities will remain stable over the medium term on account of its experienced management. The outlook may be revised to ‘Positive’ if the company registers higher than expected growth in revenue while improving profitability and maintaining comfortable liquidity position. Conversely, the outlook may be revised to ‘Negative’ in case of deterioration in the capital structure and liquidity position.

About the Company

DECPL, a Chennai-based civil construction company incorporated in 2000 was converted to private limited in 2013. The company undertakes construction projects in Tamil Nadu.

For FY2014–15, DECPL registered profit after tax (PAT) of Rs.0.51 crore on operating income of Rs.17.31 crore, as compared with PAT of Rs.0.28 crore on operating of Rs.6.86 crore in FY2013–14.



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ABOUT SMERA

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