

Press Release

Deccan Engineering Constructions Private Limited

October 24, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 10.00 crore bank facilities of Deccan Engineering Constructions Private Limited. The outlook is '**Stable**'.

Deccan Engineering Constructions Private Limited (DECPL), a Chennai-based civil construction company undertakes construction projects for Central Public Works Department (CPWD) in Tamil Nadu.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

DECPL was established in 2000 as a proprietorship concern and converted to private limited in 2013. The company undertakes civil construction contracts for Central Public Works Department (CPWD) in Tamil Nadu. The company was promoted by Mr. V.V.D. Murali, who has more than two decades of experience in the said line of business.

- **Average financial risk profile**

DECPL has average financial risk profile marked by gearing of 1.31 times as on 31 March, 2016. For FY2016-17 (Provisional), the gearing stood at 1.08 times. The ROCE has been healthy at 12.96 percent for FY 2016. For FY2016-17 (Provisional), the RoCE stood at 14.94 percent. The NCA/TD stood at 0.09 times for FY2016 as against 0.15 times for FY2014-15. The coverage indicators stood at 1.80 times for FY2015-16, 2.37 times for FY2014-15 and 2.63 times for FY2016-17 (Provisional).

Weaknesses

- **Uneven operating income during the last three years**

The operating income of the company has been uneven during the last three years of around Rs. 17.31 crore for FY2014-15 as against Rs.6.65 crore in FY2013-14. Further, as per the estimated figures for FY2016-17, DECPL reported operating income of ~Rs. 13.00 crore thereby registering increase of around 23 per cent over the previous year (FY2015-16). The fluctuating revenue trend is mainly due to the tender based nature of operations.

- **Working capital intensive operations**

The operations were working capital intensive with gross current asset days (GCA) of 168 for FY2016 as against 88 for FY2015. DECPL has availed ad-hoc limit of Rs.0.80 crore from January 2017 to March 2017.

- **Intense competition in the construction industry**

DECPL is exposed to intense competition from organised and unorganised players in the construction industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the entity to arrive at the rating.

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 Rated Entity - Key Financials

For FY2015-16, DECPL reported Profit after Tax (PAT) of Rs.0.29 crore on operating income of Rs.10.57 crore compared to PAT of Rs.0.51 crore on operating income of Rs.17.31 crore in FY2014-15. The net worth stood at Rs.4.08 crore as on 31 March, 2016 against Rs.3.79 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Jun-2016	Secured Overdraft	Long Term	INR 4	SMERA B+ / Stable
	Bank Guarantee	Short Term	INR 4	SMERA A4
	Proposed Secured Overdraft	Long Term	INR 2	SMERA B+ / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA B+ / Stable

Overdraft	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.80	SMERA A4

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ABOUT SMERA

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