

Press Release

Dhiman Industrial Fabricators And Designers

March 23, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 5.85 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 5.85 crore bank facilities of Dhiman Industrial Fabricators And Designers. The outlook is '**Stable**'.

The Ahmedabad-based Dhiman Industrial Fabricators and Designers (DIFD) is a proprietorship concern promoted by Mr. Rajesh Kumar Dhiman in 2007. The firm undertook steel fabrication work for wind mill towers on job work basis. However, in 2013 the entity ventured into construction of pre-engineered steel buildings (PEB) and components, sheds, windmill towers, storage tanks among others.

Key Rating Drivers

Strengths

- **Experienced management**

DIFD was established in 2007 by Mr. Rajesh Kumar Dhiman who possesses experience of around two decades in steel fabrication.

- **Reputed customer base**

The firm has a reputed client base with customers such as Inoxwind Ltd, Regen Powertech Pvt. Ltd, Sacmi Engineering (India) Pvt. Ltd among others.

- **Healthy profitability**

The profitability is healthy marked by operating margin of 23.79 percent and PAT (Profit after tax) of 8.21 percent in FY2016 as against the operating margin of 22.24 percent and PAT margin of 9.98 percent in FY2015. The profitability is expected to remain in the range of ~20 to 25 percent.

- **Average financial risk profile**

The firm has average financial risk profile marked by ICR (Interest coverage ratio) of 2.75 times in FY2016 as against 3.24 times in FY2015. The gearing (debt-to-equity) stood at 1.73 times as on March 31, 2016 as against 2.16 times as on March 31, 2015. The total debt mainly comprises long term loan raised for machinery financing. The tangible net worth of the firm stood at Rs.8.60 cr as on 31 March 2016.

Weaknesses

- **Moderate scale of operations**

DIFD has modest scale of operations marked by operating income of Rs.26.54 cr in FY2015-16 as compared to Rs.24.39 cr in FY2014-15. Further, the firm achieved revenue of Rs.35.00 cr from April 2016 to February 2017 and has order book of Rs.42.00 cr.

• Working capital intensive operations

The operations of the firm are working capital intensive marked by Gross Current Assets (GCAs) of 335 days for FY2016 as against 231 days for FY2015 on account of high inventory days of 238 for FY2016 as against 153 for FY2015. However, the working capital cycle days remain moderate with 60 days for FY2016 as against 69 days for FY2015. This is mainly due to the high credit period availed from customers. Further, the utilisation of working capital was around 80 percent from September 2016 to February 2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of DIFD.

Outlook: Stable

SMERA believes that the firm will continue to maintain a stable outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers strong growth in revenues while achieving sustained improvement in profitability leading to improved business risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenue and net cash accruals or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported net profit of Rs.2.18 cr on operating income of Rs.26.54 cr, as compared with net profit of Rs.2.43 cr on operating income of Rs.24.39 cr in FY2014-15. The net worth stood at Rs.8.60 cr as on March 31, 2016 as against Rs.7.75 cr a year earlier.

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

ICRA Limited in its press release dated 30 December 2016 had inter alia mentioned the following. 'ICRA has suspended the 'ICRA B+' (pronounced ICRA B plus) rating assigned to the Rs.8.10 crore bank facilities of Dhiman Industrial Fabricators & Designers (DIFD) The suspension follows ICRA's inability to carry out a rating surveillance in the absence of requisite information from the company.'

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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
05-Jun-2015	Cash Credit	Long Term	INR 3	SMERA B / Stable
	Term Loan	Long Term	INR 3.2	SMERA B / Stable
	Letter of Credit	Short Term	INR 2	SMERA A4
21-Feb-2014	Cash Credit	Long	INR 3.2	SMERA B / Stable

		Term		
	Term Loan	Long Term	INR 3	SMERA B / Stable
	Letter of Credit	Short Term	INR 2	SMERA A4

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.35	SMERA BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+

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ABOUT SMERA

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