

Press Release

DSR Sons India Engineers Private Limited

September 11, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 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. 10.00 crore bank facilities of DSR Sons India Engineers Private Limited. The outlook is '**Stable**'.

DSR Sons India Engineers Private Limited (DSIEPL) is a Tamil Nadu-based company incorporated in 2008 by Mr. Ravee Kumar Dharumalingam and Mrs. Ravikumar Selvi. The company undertakes construction of roads, bridges and caters mainly to state and central government bodies in Kanchipuram. The company also provides road preservation, rehabilitation and maintenance services.

Key Rating Drivers

Strengths

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

DSIEPL has been undertaking road construction and maintenance contracts in Tamil Nadu for about a decade. The company is registered as a Class I contractor with government bodies including Public Works Department. Further, the promoter Mr. Ravee Kumar possesses more than two decades of experience in the civil construction industry.

- **Moderate financial risk profile**

The company has moderate financial risk profile marked by tangible net worth of Rs. 5.24 crore as on 31 March, 2016 compared to Rs. 4.37 crore in the previous year. The gearing (Debt-Equity Ratio) stood at 0.66 times as on 31 March, 2016 as against 0.58 times in the previous year. The interest coverage indicators (ICR) stood at 5.36 times for FY2016 compared to 6.32 times in the previous year. The return indicators are healthy with Return on Capital Employed (RoCE) at 23.58 per cent for FY2015-16 against 24.96 percent in FY2014-15. The total liabilities to tangible network (TOL/TNW) stood at 2.80 times as on 31 March, 2016 and 2.28 times in 31 March, 2015.

Weaknesses

- **Modest scale of operations**

The scale of operations is modest despite the company being in the construction business for a decade. The company reported operating income of Rs.31.29 crore for FY2015-16 as against Rs.38.13 crore for FY2014-15, thereby registering a decline of ~17 per cent. The decline in revenue is due to fall in tenders in FY2016-17. The revenue depends on the number of successful bids and tenders released in the financial year. The company faces intense competition from several organised and unorganised players in the industry. Further, as informed by the management, the company reported operating income of Rs.28.78 crore (Provisional) for FY2017.

- **Geographic concentration risk**

The company is exposed to geographic concentration risk since DSIEPL undertakes projects only in Kanchipuram.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company for arriving at the rating.

Outlook: Stable

SMERA believes that DSIEPL will maintain a stable outlook and continue to benefit over the medium term from the experienced management. The outlook may be revised to 'Positive' in case of significant growth in revenues and net cash accruals while maintaining comfortable liquidity profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity profile and financial risk profile due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

For FY2016-17, DSIEPL reported profit after tax (PAT) of Rs.0.86 crore on operating income of Rs. 31.29 crore compared to PAT of Rs.1.04 crore on operating income of Rs.38.13 crore in the previous year. The net worth stood at Rs.5.24 crore as on 31 March, 2016 against Rs. 4.37 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)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.43	SMERA BB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.57	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+

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