

Press Release

Deccan Sales and Services Private Limited



D-U-N-S® Number: 91-807-6543

February 18, 2019

Rating Upgraded

Total Bank Facilities Rated*	Rs. 44.75 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Upgraded from ACUITE BB+/Stable)
Short Term Rating	ACUITE A3 (Upgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE BBB-**' (**read as ACUITE BBB minus**) from **ACUITE BB+** (**read as ACUITE double B plus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) from **ACUITE A4+** (**read as ACUITE A four plus**) to the Rs.43.25 crore bank facilities of Deccan Sales and Services Private Limited (DSPL). The outlook is '**Stable**'.

Also, Acuité has assigned long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to Rs.1.50 crore bank facilities of DSPL. The outlook is '**Stable**'.

The rating revision is on account of healthy revenue growth, improvement in financial risk profile and working capital management of the company. The revenues have grown at a CAGR of ~22 per cent from FY2015-2018. The revenues of the company stood at Rs.156.02 crore as against Rs.114.39 crore in the previous year. The working capital management of the company has improved in FY2018 over FY2017 marked by Gross Current Asset (GCA) days of 157 days for FY2018 as against 204 days in the previous year. Going forward, Acuité expects sustained revenue growth of the company in near to medium term.

DSPL was established as a proprietorship firm in 1996 by Mr. R.S. Patil and later converted as a private limited company in 2007. The company is an authorised dealer of Cummins India Limited for selling of spare parts; L&T Construction Limited and Komatsu India Private Limited for sales & services of earthmoving equipment spare parts; Voltas equipment and spares; BK Tyres and Mahindra & Mahindra Equipment such as Backloader Machine, Grader, and others. DSPL also has distributorship of Wipro Water; Chicago Pneumatic for servicing of their compressor and air handling equipment, and Elgi Equipment for air compressor. The company is currently operating in various spares cum service centers in Indore, Surat, Baroda, Ahmedabad and Vapi to name a few.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of DSPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

DSPL is promoted by Mr. R. S. Patil who has over a decade of experience as an authorized dealer of Cummins India Limited. The company started its operation in Indore and over the years, has expanded its presence in Surat, Baroda, Ahmedabad and Vapi, among others. In addition, Mr. Patil has promoted Deccan Vehicles Private Limited - a TATA Authorized Service Station (TASS) for repair & maintenance of Telcos, HCVs, & LCVs, and Deccan Techno Solutions Private Limited which provides human resource outsourcing services and undertakes utilities contracts.

- **Improving scale of operations**

The scale of operations has improved to Rs.156.02 crore in FY18 as against Rs.86.67 crore in FY15,

thereby registering a compounded annual growth rate (CAGR) of 21.64 per cent during the last 3 years. During the current year till the month of December, the company has booked revenue of increase in scale of operations.

- **Moderate financial risk profile**

DSPL's financial risk profile is marked by moderate net worth, gearing and debt protection metrics. The net worth stood at Rs.19.73 crore in FY18 as against Rs.17.28 crore in FY17. While arriving at the net worth, Acuité has considered unsecured loan from directors/promoters of Rs.6.30 crore as quasi equity based on an undertaking received from the management to maintain the same over the medium term and the same is also subordinated to bank debt. The gearing stood at 1.15 times in FY18 as against 1.36 times in FY17. The total debt of Rs.22.65 crore as on 31 March, 2018 consists of Rs.1.37 crore of term loan and Rs.21.27 crore of working capital facility. The debt protection metrics stood moderate with interest coverage and debt service coverage ratios of 1.90 times and 1.48 times respectively in FY18 as compared to 1.60 times and 1.34 times respectively in FY17.

Weaknesses

- **Moderate Working capital operations**

DSPL operates in a moderate working capital operations marked by Gross Current Assets (GCA) of 157 days in FY18 as against 204 days in FY17. The debtors stood at 87 days in FY18 as against 113 days in FY17. The high debtor days are on account of credit sales for which the company provides an average credit period of 30-60 days to its customers. Inventory days stood at 61 in FY18 as against 85 days in FY17. Further, the average bank limit utilization stood at ~98.85 per cent for last six months ending January 2019.

- **Highly fragmented and competitive industry**

DSPL operates in a highly competitive and fragmented industry characterised by large number of players. Further, its current profitability remains modest, given the low value-added nature of trading business and competition from dealers for other manufacturers in the segment.

Liquidity Position

Liquidity of CCPL is moderate marked by moderate cash accruals against its repayment obligations. Cash accruals stood at Rs.2.68 Crores in FY18. Its expected cash accruals are in the range of Rs.4-5 crores over medium term. Working capital intensive operations has led to high utilization of its bank lines at 98.64 per cent over last 7 months ended January 2019. Acuité believes that with moderate accruals to obligations and incremental working capital requirements the liquidity remains at moderate levels over the medium term.

Outlook: Stable

Acuité believes that the outlook on DSPL will remain 'Stable' over the medium term on account of the experienced management and its established relations with the OEM's. The outlook may be revised to 'Positive' in case of its ability to further increase its scale of operations and sustainability of its profitability and further improvement in the financial risk profile. The outlook may be revised to 'Negative' in case the company fails to increase its scale of operations or deterioration in the profitability and any deterioration in the financial risk profile would lead to 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	156.02	114.39	108.69
EBITDA	Rs. Cr.	6.95	6.01	5.85
PAT	Rs. Cr.	1.77	0.98	0.69
EBITDA Margin	(%)	4.46	5.25	5.38
PAT Margin	(%)	1.14	0.85	0.63
ROCE	(%)	15.72	14.09	14.19
Total Debt/Tangible Net Worth	Times	1.15	1.36	1.23
PBDIT/Interest	Times	1.90	1.60	1.47
Total Debt/PBDIT	Times	3.03	3.74	3.32
Gross Current Assets (Days)	Days	157	204	184

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Mar-2018	Cash Credit	Long Term	23.00	ACUITE BB+ / Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BB+ / Stable (Assigned)
	Proposed Cash Credit	Long Term	1.00	ACUITE BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	4.50	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	0.50	ACUITE A4+ (Assigned)

***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	0.75	ACUITE BBB- / Stable (Upgraded from ACUITE BB+/Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.00 (enhanced from Rs.23.00 Cr)	ACUITE BBB- / Stable (Upgraded from ACUITE BB+/Stable)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	6.00 (enhanced from Rs.4.50 Cr)	ACUITE A3 (Upgraded from ACUITE A4+)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB-/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.50 (enhanced from Rs.1.00 Cr)	ACUITE BBB-/Stable (Upgraded from ACUITE BB+/Stable)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00 (enhanced from Rs.0.50 Cr)	ACUITE A3 (Upgraded from ACUITE A4+)

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About Acuité Ratings & Research:

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