

Press Release
Ducon Infratechnologies Limited
March 26, 2024
Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	57.00	ACUITE D Downgraded	-
Bank Loan Ratings	55.00	-	ACUITE D Downgraded
Total Outstanding Quantum (Rs. Cr)	112.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE D (read as ACUITE D)**' from '**ACUITE BB' (read as ACUITE double B)**' and the short-term rating to '**ACUITE D (read as ACUITE D)**' from '**ACUITE A4+' (read as ACUITE A four plus)**' on the Rs.112.00 Cr. bank facilities of Ducon Infratechnologies Limited (DIL).

The rating is downgraded on account of recent delays in servicing of debt obligations by DIL in their term loans and irregular account conduct as per the banker's feedback and other information reports. The account is currently marked SMA-0 by the bank.

About Company

Incorporated in March 2005, Maharashtra based Ducon Infratechnologies Limited (DIL) is the Indian arm of Ducon Technologies Inc., USA. The company is promoted by Mr Arun Govil, Ducon undertakes turnkey projects for setting up industrial pollution control and material handling systems. Ducon Infratechnologies Limited was setup in India to take advantage of opportunities in the Indian subcontinent in the field of Air Pollution Control, Bulk Material Handling and other related industrial projects. Being an EPC (Engineering Procurement & Construction) company, DIL has executed multiple projects during the last 14 years in India.

About the Group

The Ducon Group (DG) consist of two companies i.e. Ducon Infratechnologies Limited and its wholly owned subsidiary company Ducon Combustion Equipment Inc. (DCE). In the year 2017, DIL has set up its wholly owned subsidiary company in the name of Ducon Combustion Equipment Inc. (DCE) in New York, USA in order to sell diversified combustion and power products. The products includes steam & power turbines, heat recovery steam generators and cogeneration plants using both gas and biomass fuels.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

The team has consolidated the business and financial risk profiles of Ducon Infratechnologies

Limited (DIL) and its wholly own subsidiary Ducon Combustion Equipment Inc. (DCE) together referred to as the 'Ducon Group' (DG). The consolidation is in view of the common

management, same line of business and financial linkages between the entities.

Key Rating Drivers

Strengths

- **Established tracked record of operations along with experienced management**

Ducon promoted by Mr. Arun Govil (Managing Director), is engaged in undertaking EPC contracts for setting up industrial pollution control, material handling systems and dealing in IT hardware. The company forayed into FGD systems in thermal power plants along with Bulk Material Handling Services and Rural and Urban electrification including construction of substation etc. The promoter Mr. Arun Govil has gained experience of over three decades from overseas business in Ducon Technologies Inc and is ably supported by well experienced second line of management. The experience of promoters and well established track record of operations helped the company to build a strong relationship with some of the reputed clientele in the country such as NTPC Limited, Steel Authority of India, L&T, IOCL to name a few. Acuité believes that the company will sustain its existing business risk profile on back of an established track record of operations and experienced management over the medium term.

Weaknesses

- **Instance of delay and irregularities account conduct**

There have been recent instances of delays in servicing of term loan obligations by DIL as confirmed by the banker and as reflected in credit bureau information reports and account statements of the company. As per the banker's feedback, DIL's account is currently marked SMA-0.

Rating Sensitivities

Regular servicing of debt obligations

Liquidity Position: Poor

The liquidity position of the company is marked poor on account of recent past instances of delays in servicing of debt obligation

Outlook: Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	395.59	384.36
PAT	Rs. Cr.	4.10	4.43
PAT Margin	(%)	1.04	1.15
Total Debt/Tangible Net Worth	Times	0.78	0.55
PBDIT/Interest	Times	1.69	1.78

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

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Dec 2022	Bank Guarantee/Letter of Guarantee	Short Term	55.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	57.00	ACUITE BB Stable (Reaffirmed)
07 Oct 2021	Bank Guarantee/Letter of Guarantee	Short Term	55.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	57.00	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	55.00	ACUITE D Downgraded (from ACUITE A4+)
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	57.00	ACUITE D Downgraded (from ACUITE BB)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Ducon Combustion Equipment Inc

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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