

February 21, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.20	SMERA B/Stable (Assigned)
Term Loan	3.00	SMERA B/Stable (Assigned)
Letter of Credit	2.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B**' (**read as SMERA single B**) to the Rs.6.20 crore long-term bank facilities and '**SMERA A4**' (**read as SMERA A four**) to the Rs.2.00 crore short-term bank facilities of Dhiman Industrial Fabricators and Designers (DIFD), a Dhiman Group entity. The outlook is '**Stable**'. The ratings are constrained by the risks associated with the group's high customer concentration level and large debt-funded capex. The ratings are also constrained by the group's limited track record in executing large turnkey contracts. However, the ratings derive comfort from the group's moderate order book position, healthy profitability and moderate financial risk profile.

SMERA has combined the business and financial risk profiles of Dhiman Industrial Fabricators and Designers (DIFD) and R. K. Fabricators (RKF), together referred to as the 'Dhiman Group' (DG). The consolidation is in view of the similar business model, common management and significant business and financial linkages shared by the entities. RKF's entire business was transferred to DIFD in FY2012-13 (refers to financial year, April 01 to March 31).

DG (established in 2007) is an Ahmadabad-based group engaged in construction and supply of pre-engineered building (PEB) structures. DG is exposed to significant customer concentration risk arising from high dependence on only three to four customers. The group's credit profile is thus susceptible to delays in project execution and debtor realization.

DG has currently undertaken capex of ~Rs.4.00 crore towards capacity expansion and modernization, which is expected to be completed by the first six months of FY2014-15. The group is expected to avail a term loan of ~Rs.3.00 crore for the aforementioned capex. Moreover, the management plans to undertake another capex of ~Rs.7.00 crore (funded through term loan of ~Rs.3.00 crore) towards further capacity expansion. DG's financial risk profile is thus susceptible to delays in project execution. Optimal utilization of additional capacity and efficient working capital management will remain a key rating sensitivity.

DG's management has around 20 years of experience in providing steel fabrication services on job work basis. However, the group has a limited track record in undertaking large turnkey contracts. The management's capabilities of implementing large-scale projects in a timely manner will remain a key rating sensitivity.

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DG has a moderate order book position with pending orders worth~Rs.21 crore, which are likely to be executed by FY2014–15. Moreover, the group is likely to receive orders worth ~Rs.15.00 crore in FY2014–15. DG has healthy profitability, with operating profit margin of ~9 per cent and net profit margin of ~4 per cent in FY2012–13. DG received sanction for a term loan of Rs.3.00 crore and cash credit limit of Rs.3.20 crore in December 2013, prior to which the group was debt-free. DG is expected to maintain a moderate financial risk profile, with net worth of ~Rs.8.00 crore, leverage at ~1.8 times and interest coverage of ~3 times in FY2014–15.

### Outlook: Stable

SMERA believes DG's outlook will remain stable over the medium term on the back of the group's moderate order book position and healthy profitability. The outlook may be revised to 'Positive' in case the group generates healthy cash flows through successful execution of large projects while achieving efficient working capital management. Conversely, the outlook will be revised to 'Negative' in case of a stretch in the group's liquidity position, or in case of delays in project execution.

### About the group

DG, established in 2007, is an Ahmadabad-based group engaged in undertaking steel fabrication on job work basis. In 2012, DG ventured into the pre-engineered building (PEB) sector by undertaking civil work, supply of overhead cranes and construction of supporting buildings and sheds.

For FY2012–13, DG reported PAT of Rs.3.15 crore on net sales of Rs.39.24 crore, as compared with PAT of Rs.0.32 crore on net sales of Rs.2.20 crore for FY2011–12. The group's net worth stood at Rs.4.48 crore as on March 31, 2013, as compared with Rs.2.09 crore a year earlier.

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