

March 21, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	3.00	SMERA A4 (Assigned)
Letter of Credit	0.50	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.5.50 crore bank facilities of Deepsun Industrial Corporation (DIC). The outlook is '**Stable**'. The ratings are constrained by the firm's modest scale of operations and high level of customer concentration in an intensely competitive business environment. The ratings are also constrained by the firm's high geographical concentration and working capital-intensive operations. However, the ratings are supported by the firm's experienced management, consistent revenue growth and moderate debt protection metrics.

DIC, established in 1990, is a Kolkata-based partnership firm engaged in assembling of floodlights (broad-beamed, high-intensity artificial lights used in outdoor sports events, border fencing and construction projects). The firm also undertakes civil construction work for government projects since 2010. DIC derived ~80 per cent of its total revenues (over the past three years) from civil construction work. The firm has a modest operating scale reflected in net sales of Rs.19.25 crore in FY2012-13 (refers to financial year, April 01 to March 31). Moreover, DIC derives ~80 per cent of its total sales from two customers (National Projects Construction Corporation Limited and Mynally Bharat Engineering Company Limited), which leads to high level of customer concentration risk. The firm's profitability is highly susceptible to intense competition inherent in bidding for government tenders. DIC is also exposed to geographical concentration risk as the firm's civil projects are restricted to the North Eastern states (Tripura, Mizoram and Meghalaya).

DIC's operations are highly working capital-intensive, as evidenced by stretched receivables period of 126 days and gross current assets of 233 days in FY2012-13. The firm's average bank limit utilisation is high at ~90 per cent during August 2013 to January 2014.

DIC's management has extensive experience of around two decades in the floodlights business. However, the firm's partners have limited experience in undertaking civil construction works. DIC's financial risk profile benefits from low leverage (0.59 times as on March 31, 2013), comfortable interest coverage ratio (3.0 times in FY2012-13) and absence of long-term debt.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

Outlook: Stable

SMERA believes that DIC will continue to benefit over the medium term from its experienced management. The firm is also poised to benefit from the government's focus on infrastructure development in North Eastern states. The outlook may be revised to 'Positive' in case the firm achieves sustained improvement in revenues and profitability, without a corresponding deterioration in liquidity position and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of major deterioration in the firm's capital structure.

About the firm

DIC, established in 1990, is a Kolkata-based partnership firm promoted by Mr. Veer L. Pardasani and Mr. Kishore V. Pardasani. DIC is engaged in assembling of floodlights. The firm also undertakes civil construction works for government projects.

For FY2012-13, DIC reported PAT of Rs.0.70 crore on operating income of Rs.19.25 crore, as compared with PAT of Rs.1.17 crore on operating income of Rs.16.35 crore for FY2011-12. DIC's net worth stood at Rs.2.86 crore as on March 31, 2013, as compared with Rs.2.62 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal Vice President, SME - Sales Tel : +91-22-6714 1177 Cell : +91 99300 74009 Email : virendra.goyal@smera.in Web: www.smera.in	Mr. Umesh Nihalani Head - Corporate Ratings Tel: +91-22-67141106 Cell: +91-9833651336 Email: umesh.nihalani@smera.in	Tel: +91-22-67141170 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.