

Press Release

DEEPSUN INDUSTRIAL CORPORATION

02 February, 2018

Rating Reaffirmed



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 reaffirmed the long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 10.00 crore bank facilities of DEEPSUN INDUSTRIAL CORPORATION (DIC). The outlook is '**Stable**'.

DIC, established in 1990, is a Kolkata-based partnership firm established by Mr. Veer L. Pardasani and Mr. Kishore V. Pardasani. The firm is engaged in the manufacturing/assembling of electrical LED lights and also undertakes civil construction work for the government. The manufacturing facilities are located at Kolkata with production capacity of 25000 per month (LED fitting and other electrical lights).

Key Rating Drivers

Strengths

• Experienced management, long track record of operations

DIC is a partnership firm established in 1990 by Mr. Veer Kumar Pardasani who has over two decades of experience in the electrical and electronics industry. Presently, the firm is managed by his sons, Mr. Kishore Pardasani and Mr. Deep Pardasani. Mr. Kishore Pardasani has over 10 years of experience in the industry.

Moderate financial risk profile

The financial risk profile is marked by moderate gearing and high interest coverage ratio, NCA/TD and modest debt protection measures. The total debt of Rs.0.92 crore consists of long term debt of Rs.0.15 crore (including Rs.0.11 crore of car loan from the bank and Rs.0.04 crore of unsecured loan from related parties) and Rs 0.77 crore of short term debt of CC facility as against net worth of Rs 4.79 crore in FY2017. The debt equity stood at 0.19 times and interest coverage at 2.67 times in FY2017. Moreover, NCA/TD stood at 0.72 times in FY2017.

• Comfortable order book

DIC has order book worth Rs.36.06 crore as on December 2017 to be executed in FY2018 and FY2019 which provides revenue visibility for the medium term.

Weaknesses

• Moderate scale of business

The scale of operations is moderate with revenue of Rs.17.32 crore in FY2017 and Rs.15.02 crore in FY2016.

• Working capital intensive operations

The operations are working capital intensive marked by high gross current assets of around 202 days in FY2017 and 247 days in FY2016. However, while the same improved from last year it is still high due to stretched receivables that increased to 103 days in FY2017 and 46 days in FY2016.

• Customer and geographical concentration risk

DIC is exposed to customer concentration risk. The firm generated over 93.34 per cent of its revenue from National Project Construction Company Limited (NPCC) in FY2017. Besides, the firm is also exposed to geographical concentration risk as DIC undertakes electrical and civil contract work only in the North Eastern states (Tripura, Mizoram and Meghalaya). The same contributed around 95 per cent to the total business over the last three years.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of DIC to arrive at the rating.

Outlook: Stable

SMERA believes that DIC will maintain a Stable outlook and 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 revenues, profit margins, or deterioration in the firm's capital structure and liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.32	15.02	10.71
EBITDA	Rs. Cr.	1.44	1.26	1.17
PAT	Rs. Cr.	0.55	0.45	0.34
EBITDA Margin	(%)	8.29	8.39	10.95
PAT Margin	(%)	3.18	3.01	3.21
ROCE	(%)	23.95	18.29	16.42
Total Debt/Tangible Net Worth	Times	0.19	0.66	1.36
PBDIT/Interest	Times	2.67	2.47	2.01
Total Debt/PBDIT	Times	0.63	1.74	3.54
Gross Current Assets (Days)	Days	202	247	477

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

None

Any other information

Not Any

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
24-Nov, 2016	Cash Credit	Long Term	INR 2.6	SMERA BB- / Stable
	Bank Guarantee	Short Term	INR 4.5	SMERA A4+
	Proposed Bank Guarantee	Short Term	INR 2.9	SMERA A4+
25-Jul, 2015	Cash Credit	Long Term	INR 2.4	SMERA BB- / Stable
	Bank Guarantee	Short Term	INR 3.00	SMERA A4
07-Jul, 2015	Cash Credit	Long Term	INR 2.00	SMERA BB- / Stable
	Bank Guarantee	Short Term	INR 3.00	SMERA A4
	Letter of Credit	Short Term	INR 0.50	SMERA A4
21-Mar, 2014	Cash Credit	Long Term	INR 2.00	SMERA BB- / Stable
	Bank Guarantee	Short Term	INR 3.00	SMERA A4
	Letter of Credit	Short Term	INR 0.50	SMERA A4

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.70	SMERA A4+
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	1.15	SMERA BB- / Stable
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	1.15	SMERA A4+

Contacts

Analytical	Rating Desk
<p>Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in</p> <p>Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 rupesh.patel@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.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.

