

## Deccan Industries

December 20, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	9.40	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>9.40 (Rs. Nine Crore and Forty Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Deccan Industries (DI) to monitor the rating vide e-mail communications dated August 05, 2021, October 06, 2021, November 08, 2021, & November 11, 2021 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating. The rating on DI's bank facilities will now be denoted as CARE BB-; Stable ISSUER NOT COOPERATING\*

### Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating takes into account the non-availability of requisite information due to non-cooperation by DI with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.

### Detailed description of the key rating drivers

At the time of last rating on December 17, 2020 the following were the rating strengths and weaknesses.

#### Key Rating Weaknesses

##### **Small scale of operations**

The firm has small scale of operations marked by total operating income of 40.37 crore in FY20 coupled with low net worth base of Rs. 6.91 crore as on March 31, 2020.

##### **Short-term revenue visibility from order book position**

DI had an order book position of Rs.11.78 crore as on December 02, 2020 and the same is likely to be completed by February 2021. Further the order book position to sales ratio stood at 0.29x which reflects short-medium term revenue visibility. The current order book of the firm is geographically and client concentrated from areas in and around Karnataka.

##### **Profitability susceptible to volatility in raw material price**

The primary raw materials used for the manufacturing of pumps include stainless steel and copper. The prices of these materials are inherently volatile and are driven largely by local demand and supply conditions. These raw materials account for around 70% of the total manufacturing cost of DI and hence any volatility in the prices of these materials may impact the profitability of the firm.

##### **Constitution of a partnership concern with risk of withdrawal of capital**

The partnership firm has the inherent risk of possibility of withdrawal of partner's capital at the time of personal contingency which can affect the capital structure. Further the partnership concern has restricted access to external borrowing which limit their growth opportunities to some extent.

##### **Highly fragmented and competitive business segment due to presence of numerous players**

The firm is engaged into a fragmented business segment and competitive industry. The market consists of several small to medium-sized firms that compete with each other along with several large enterprises. There are several small sized firms in and around Tamil Nadu, which compete with DI.

#### Key Rating Strengths

##### **Long track record of operations with experienced promoters with relatively strong distribution network**

The firm was established in 1981, promoted by Mr. K V Karthik and Mrs. V Rathinam. The day to day operation of the firm is managed by the partners namely Mr. K V Karthik having more than one decade of experience in the industry. Considering the energy efficiency features of its pumps, Bureau of Energy Efficiency (BEE) has granted 5-star ratings to several of its pump

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

models and caters to the domestic market through a wide-spread distribution network consisting of over 500 dealers. The management of DI is promoted by qualified and experienced professionals in similar line of business. Due to long experience of the partners and establish relationship with customers which enables the firm to get repeated orders from its clientele along with new customers.

#### **Moderate scale of operations with geographically diversified clientele base**

The TOI of the firm witnesses a growth of 6.74% from Rs.37.82 crore in FY19 to 40.37 crore in FY20 on account of increase in demand from the agricultural sector as the product majorly finds its application in irrigational activities and repeated orders received from the distributors located across Tamil Nadu.

The DI's clientele base comprises of customers located in the states of Maharashtra, Karnataka, Tamil Nadu region. Some of DI's customer include Siruvani water supply (Coimbatore), E Prabhakar Machinery & Electricals (Thirupathur), Guru Electricals & Hardwares (Salem). Further, the firm has five operational branches located in Bengaluru, Chennai, Secunderabad, Pune, Vijayawada, Faridabad and Kochi.

#### **Satisfactory Profitability margins**

The firm maintains its operating profit margin above 6% for the last three years ended FY20. The PBILDT margin of the entity stood moderate at 7.52% in FY20, improved by 117 bps from 6.35% due to decrease in costs of raw materials. Nevertheless, the PAT margin remained satisfactory and improved at 2.78 % in FY20 increased by 28 bps from 2.06% due to increase in PBILDT level on absolute basis during the year.

#### **Satisfactory capital structure and debt coverage indicators**

DI's capital structure marked by overall gearing improved in FY20 to 1.09x and remained satisfactory. This improvement in overall gearing attributable by reduction in debt books coupled with capital infusion by the partners to the tune of Rs.0.71crore to support business development along with accretion of profits to reserves. The debt coverage indicators remained satisfactory marked by TD/GCA of 4.28x and interest coverage ratio at 3.93x in FY20.

#### **Liquidity: Stretched**

Being in manufacturing sector with works concentrated towards production of submersible pump set, the firm operates in working capital intensive nature of business. The operating cycle of the firm remained satisfactory at 75 days in FY20. The firm avails credit period upto 80 days from its suppliers and extends the credit upto 100 days to its customers for making the payment, since the firm undertakes government orders and the payment are realized post completion of the project. The firm's production is based on the orders received from dealers. So, DI is required to maintain sufficient amount of inventory in order to meet the requirement of its distribution network. With the stated reason the average inventory period stood moderate at 58 days in FY20. The average utilization of cash credit facility was 80% for the last 12 months ended November 30, 2020.

#### **Analytical Approach:** Standalone

#### **Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook and credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[CARE's Methodology for Manufacturing Companies](#)

#### **About the Firm**

Deccan Industries (DI) was established in 1981 as a partnership firm. The firm is mainly engaged in manufacturing of submersible pump set which finds its usage in irrigation pumping, building services, solar pumping and water supply engineering. The firm has in house manufacturing facilities for producing submersible pump sets. The firm has customer bandwidth with dealers of which majority of them located in Tamil Nadu region. The installed capacity of manufacturing unit is 1500 pumps per month as on date December 07, 2020. The firm's manufacturing unit is located in Coimbatore and sells its products in its own brand named "Deccan" in Coimbatore.

<b>Brief Financials (Rs. crore)</b>	<b>31-03-2019 (A)</b>	<b>31-03-2020 (A)</b>	<b>31-03-2021</b>	<b>H1FY22</b>
Total operating income	37.82	40.37	NA	NA
PBILDT	2.40	3.04	NA	NA
PAT	0.78	1.12	NA	NA
Overall gearing (times)	1.60	1.09	NA	NA
Interest coverage (times)	3.26	3.93	NA	NA

*\*A-Audited*

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	9.40	CARE BB-; Stable; ISSUER NOT COOPERATING*

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT*	9.40	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable (17-Dec-20)	1)CARE BB-; Stable (25-Sep-19)	-

\* Long Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities : NA**

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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