Deevin Seismic Systems Private Limited

February 27, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	8.51 (Reduced from 17.96)	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Deevin Seismic Systems Private Limited (DSSPL) continues to remain underpinned from the parentage of Dilip Buildcon Limited along with strong operational linkages with the parent marked by sizeable sales offtake to it. The rating further derives strength from stable scale of operations with improvement in profitability, moderate debt coverage indicators, and adequate liquidity position. Ratings also factors in presence of a debt service reserve account (DSRA) equivalent to one-quarter of debt servicing obligations along with favorable demand outlook for the sector due to thrust of the government on infrastructure development.

The rating is, however, constrained on account of the limited track record of operations, modest scale of operations and profitability, client concentration risk, the working capital-intensive nature of operations and interest rate fluctuation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scale up of operations while improving PBILDT margins to over 15% and managing working capital requirements.
- Improvement in overall gearing to below unity on a sustained basis.

Negative factors

- Non-adherence to sanctioned terms and delay in receipt of support from DBL.
- Significantly lower TOI and profitability adversely impacting the debt coverage indicators of the company.
- Increase in operating cycle to above 100 days.

Analytical approach:

Standalone while factoring parentage of DBL and resultant operational and financial linkages with DBL.

Outlook: Stable

Stable outlook is underpinned by strong operational linkages with DBL, thereby ensuring healthy sales offtake and revenue visibility going forward due to captive consumption by DBL.

Detailed description of the key rating drivers:

Key strengths

Parentage of DBL

DSSPL is a wholly owned subsidiary of DBL, a Bhopal-based listed ISO 9001:2008 certified company engaged in construction of roads and bridges, government housing/urban development, DAM, canal, coal mining, and metros, among others on EPC, BOT/HAM basis for Government Agencies and private parties. DBL is one of the largest players in the Indian road construction sector in terms of the scale of operations and order book size. It has demonstrated a strong execution capability in the last few years with the completion of most of its projects before time on a pan-India basis.

The parentage of DBL ensures need-based financial support to DSSPL thereby providing comfort from the credit perspective. DBL has also provided sponsor support undertaking to fund any shortfall in the company's debt servicing obligations. Going forward, change of stance of DBL to support DVSSPL shall be key monitorable.

Strategic operational linkages with promoters

DSSPL is a wholly owned subsidiary of DBL and acts as a backward integration for DBL for supply of critical engineering products on time and maintaining the required quality. Around 60% of the production capacity of DSSPL is envisaged to be utilised for captive consumption by DBL for its projects in the long term. In FY24, total sales to DBL were 74% of TOI.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Operational linkages with DBL, which has a large outstanding order book of ₹17,355 crore as on September 30, 2024, provide adequate medium-to-long term revenue visibility to DSSPL.

Moderate capital structure and debt coverage indicators
The capital structure of DSSPL improved in FY24 marked by overall gearing at 1.11x as on March 31, 2024, against 1.92x as on March 31, 2023, primarily on account of scheduled repayment of debt and gradual augmentation of net worth base. The total debt (TD) comprises of unsecured loans from the promoters, term loans from banks, and working capital facilities. Debt coverage improved in FY24 marked by interest coverage of 6.32x. The company also maintained DSRA equivalent to one quarter amounting to ₹2.07 crore.

Various initiatives undertaken by the Government of India (GOI) to improve prospects of the infrastructure sector
DSSPL is engaged in the manufacturing of structural bearings, bridge expansion joints and Geo products which find use in the infrastructure sector mainly in the construction of road and bridges. Hence, an increase in the construction of roads and bridges across India shall fuel the growth of ancillary producing companies like DSSPL. The infrastructure sector is a key driver responsible for propelling India's overall development and it thereby enjoys intense focus from the Government for initiating policies that would ensure time-bound creation of world-class infrastructure in the country. The GoI is thereby expected to invest highly in the infrastructure sector, mainly highways, renewable energy, and urban transport.

Key weaknesses

Moderate scale of operations albeit improvement in profitability during FY24
With completion of capex in FY22, DSSPL has been able to scale-up its operations marked by TOI of ₹90.15 crore in FY24 (PY: ₹75.64 crore). Operating profitability marked by PBILDT margin improved from 13.54% in FY23 to 12.02% in FY24 due to softening of raw-material prices.
In 9MFY25 (provisional; refers to the period from April 01 to December 31), DSSPL reported total sales of ₹58.43 crore. Going forward, growth in the scale of operations as envisaged shall remain key rating monitorable.

Client concentration risk
DSSPL's client concentration on DBL has remained 70-90% in the last three years. DSSPL has started catering to other players in the industry, with a revenue contribution of 26% in FY24. Going forward, DSSPL's major customer is likely to be DBL, however, DSSPL endeavours to procure orders from the market and reduce the client concentration by allowing credit period to other customers also. Any adverse impact on the credit profile of DBL resulting into lower order inflow to ATPL shall remain one of the rating sensitivity.

Working capital intensive nature of operations with interest rate fluctuation risk
DSSPL operates in working capital intensive operations industry, where the company is required to maintain considerable amount of inventory in terms of raw materials and finished goods typically for 45-50 days to cater to growing demand. DSSPL's operating cycle remained moderate at 37 days in FY24 (PY: 41 days). DSSPL will remain exposed to variations in interest rates during the repayment period on the debt availed, owing to interest rate resets, which will be carried out by the lender periodically. As a result, the steep increases in interest rates will subject the company to lower cash accruals.

Liquidity: Adequate

Adequate liquidity marked by envisaged cash accruals of ₹9-10 crore over FY25-FY26 as against term loan repayment obligations of ~₹8 crore in FY25 and ~₹1.60 crore in FY26, presence of DSRA amounting to ₹2.07 crore as on December 31, 2024, sufficient to cover one quarter of debt and interest obligations. The average fund-based utilization for the trailing 12 months ended December 2024 remained moderate at 74%.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies

Financial Ratios – Non financial Sector

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Construction materials	Other construction materials	Other construction materials

DSSPL was incorporated in May 2008 by Mr. Deepak Balwani and Mrs. Chhaya Balwani. The company was later acquired by DBL on January 03, 2020.
DSSPL is engaged in the manufacturing of structural bearings, bridge expansion joints and Geo products. It provides total engineering solutions i.e. design, manufacture, supply, installation of the system relating to specialty products viz Bridge Bearings, Expansion Joints, Anchor Wedge, Anchorage Head, Geo Straps, Geo Composite etc. DSSPL has its manufacturing unit spread across 12,401.56 Sq. Mtrs. with an in-house design & testing laboratory located at Mandideep Industrial area, Madhya Pradesh which is 16 km away from Bhopal.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	75.64	90.15	58.43
PBILDT	9.09	12.20	4.59
PAT	1.56	5.41	1.36
Overall gearing (times)	1.92	1.11	NA
Interest coverage (times)	3.54	6.32	5.27

A: Audited; UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	30-03-2026	3.51	CARE BBB; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	3.51	CARE BBB; Stable	-	1)CARE BBB; Stable (27-Feb-24)	1)CARE BBB; Stable (28-Nov-22)	1)CARE BBB; Stable (31-Aug-21)
2	Fund-based - LT-Cash Credit	LT	5.00	CARE BBB; Stable	-	1)CARE BBB; Stable (27-Feb-24)	1)CARE BBB; Stable (28-Nov-22)	1)CARE BBB; Stable (31-Aug-21)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Maulesh Desai Director **CARE Ratings Limited** Phone: +91-79-4026 5656 E-mail: maulesh.desai@careedge.in Setu Gajjar Assistant Director **CARE Ratings Limited** Phone: +91-79-4026 5615 E-mail: setu.gajjar@careedge.in Nishid Khemka Analyst **CARE Ratings Limited** E-mail: nishid.khemka@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:
The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For detailed Rationale Report and subscription information, please visit www.careedge.in