Dinesh Engineers Limited

April 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	-	-	Reaffirmed at CARE BBB-; Stable and Withdrawn
Long-term / Short-term bank facilities	-	-	Reaffirmed at CARE BBB-; Stable / CARE A3 and Withdrawn
Non-convertible debentures	100.00	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Dinesh Engineers Limited (DEL) reflects improvement in operating and financial performance in FY24 (refers to April 01 to March 31) and CARE Ratings Limited's (CARE Ratings') expectations of adequate performance in the medium term driven by the extensive track record of its promoters in the telecom infrastructure sector. DEL has reported significant growth in scale of operation by 269% on y-o-y basis to ₹1,116 crore in FY24 compared to ₹414 crore in FY23, primarily driven by execution of orders worth ~₹1,500 crore (including operations and maintenance [O&M]) from Bharat Sanchar Nigam Limited (BSNL; rated CARE BBB; Stable/ CARE A3+). Its profit before interest, lease rentals, depreciation and taxation (PBILDT) margin continues to sustain at healthy levels translating into improvement in gross cash accruals (GCA) to ₹210 crore in FY24 compared to ₹99 crore in FY23. While the revenues are expected to moderate in FY25 considering a high base, the sizeable order book provides revenue visibility.

Ratings continue to factor in DEL's comfortable capital structure marked by overall gearing at 0.39x and total outside liabilities to tangible net worth (TOL/TNW) at 1.09x with a TNW of ~₹627 crore as on March 31, 2024. Debt coverage indicators also stood comfortable with PBILDT interest coverage at 5.23x in 9MFY25. CARE Ratings expects capital structure and debt coverage indicators to remain at adequate levels.

However, ratings continue to remain constrained by delay in the planned sale of equity stake in the city gas distribution (CGD) business and the risks associated with sizeable investment commitment in the unrelated field of work. Rating is also constrained by large working capital requirements driven by gross current asset days at 298 days, although improving on y-o-y basis, driven by sizeable receivable days including retention money. It also factors concentration risk for customers and order book, tender based nature of operations, profitability susceptible to input cost and intense competition and cyclicality in industry.

CARE Ratings has withdrawn the rating outstanding on the long-term / short-term bank facilities of DEL with immediate effect based on the request received from the company and no objection certificate received from the lenders, in accordance with CARE Ratings' withdrawal policy.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Growth in sales to over Rs. 1200 crores while maintaining profitability margins at 25% on a sustained basis
- Monetization of CGD business and additional cash flows to be derived from the monetization

Negative Factors

- Significant underachievement in terms of revenue and profitability
- Increase in operating cycle above 125 days and overall gearing beyond 0.75x and TD/GCA to 3x
- Significant exposure to group entities (incl CGD business) impacting liquidity profile
- Inability to divest the CGD business as envisaged

Analytical approach: Consolidated

CARE Ratings has revised its approach to consolidated financials due to presence of common management, brand name, and operational linkages with subsidiaries as detailed under Annexure- 6.

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

Outlook: Stable
The Stable outlook on the long-term rating reflects CARE Ratings' expectations that DEL will continue to maintain adequate financial risk profile in the medium term, while benefiting from its established operational track record and experience of promoters.

Detailed description of key rating drivers:

Key strengths

Healthy cash accruals and unexecuted order book

DEL has reported significant growth in scale of operation by 269% on y-o-y basis to ₹1,116 crore in FY24 compared to ₹414 crore, primarily driven by BSNL order worth ~₹1500 crore (including O&M). In FY24, its PBILDT margin has moderated to ~25% compared to ~30% in FY23, considering type of orders executed. the PBILDT margin has remained at healthy levels in last five years. This led to improvement in GCA to ₹210 crore in FY24 compared to ₹99 crore in FY23, driven by increase in scale. The trend continues in 9MFY25, the company has achieved TOI of ₹508 crore with PBILDT margin at ~28%. The unexecuted order book position of DEL's stood at ₹2,367 crore (including letter of acceptance [LOA]z orders worth ₹880 cores) as on December 31, 2024, which is ~2.12x of revenues in FY24. This also provides revenue visibility over the medium term. Timely execution of the current orderbook while maintaining healthy orderbook position reflecting improvement in revenues will be a key monitorable.

Comfortable financial risk profile

DEL has comfortable financial risk profile marked by healthy net worth base, adequate cash accruals, comfortable capital structure and debt coverage indicators. DEL's capital structure stood comfortable marked by overall gearing at 0.39x (PY: 0.18x) and TOL/TNW at 1.09x (0.76x) with net worth stood at ₹626 crore as on March 31, 2024. Debt coverage indicators also stood at comfortable levels marked by PBILDT interest coverage at 11.79x (PY: 16.60x) and total debt to GCA (TD/GCA) at 1.16x (PY: 0.79x) in FY24. In 9MFY25, debt coverage indicators moderated to 5x considering increase in interest expense, which remained at adequate levels. In FY25, the company has availed term loan of ₹96 crore and unsecured loans (USLs) from directors/relatives of ₹14.01 crore to utilised towards IP assets and working capital purpose. CARE Ratings expects, DEPL to maintain overall gearing well below 1.0x and PBILDT interest coverage to remain above 5x in the medium term.

Experienced promoters

DEL is headed by Dinesh Kargal, who also serves as its promoter and Managing Director. He is a civil engineer and has an overall experience of over three decades in the field of civil construction and telecom infrastructure sector. DEL completed laying of ~20,000 km of optical fibre for its telecom vendors and has same kilometres of its own IP-1 infrastructure network. Promoters are supported by experienced and competent management team.

Key weaknesses

Delay in sale of stake in CGD business and risks associated with sizeable commitments

DEL plans to focus on its core business of telecom infrastructure and has been looking to monetise its CGD business, which was expected to conclude in FY25. CARE Ratings understands that the company is in discussion with multiple investors for the stake sale, which is likely in FY26. This event could lead to healthy cash inflows from divestment of equity stake and also release of FD margins to the extent of ₹89 crore. DEL has sizeable commitments towards funding the projected investment in setting up CGD network in the assigned areas in the next 3-5 years and delays/inabilities to find a strategic investor for this business could materially impact DEL's financial risk profile and liquidity.

Large working capital requirements driven by gross current days

The nature of operations of the company are working capital intensive with the gross current cycle of 298 days in FY24 (PY:424 days) owing to higher unbilled revenues under receivables and other current asset. The average collection period stood at 128 days (PY: 178 days). DEL undertakes projects which has gestation period of ~4 to six months. The average working capital limit utilisation for the last 12 months ended Dec-24 stood at 76%. As the company is expected to increase project execution going ahead, the working capital and gross current asset days cycles are expected to remain at similar levels in near to midterm.

Tender based nature of operation, profitability susceptible to input cost, intense competition and cyclicality in industry

DEL operates in the telecom industry with expertise in execution of EPC contracts and O&M of telecom towers and fibre lines, where the projects are awarded basis relevant experience of the bidder, financial capability and most attractive bid price. The revenue of the company depends on the DEL's ability to bid successfully for these tenders. Due to low counterparty credit risk and relatively stable payment track record the projects are lucrative for organised and unorganised players in markets, which results in aggressive bidding, further restricting margins. However, past successful record of winning bids and execution of orders provides comfort to a larger extent. Key raw material for the company is optical fibres, which is exposed to price volatility risk, which could impact its profitability.

Liquidity: Adequate
The company's liquidity position stood adequate marked by sufficient projected cash accruals in the range of ₹150-200 crore per annum against fixed repayment obligation in the range of ₹115-150 crore p.a. in the next 1-2 years. Free cash and bank balance as on March 31, 2024, stood at ₹24.20 crore. Net cash flow from operations stood negative ₹38 crore in FY24 considering working capital changes. Average working capital utilisation for 12 months ended December 2024 stood at moderate levels ~75%. Current ratio stood at 1.25x and quick ratio at 1.18x as on March 31, 2024

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Withdrawal Policy
Service Sector Companies
Construction Sector
Infrastructure Sector Ratings
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Telecommunication	Telecommunication	Telecom - services	Other telecom services

DEL is into providing infrastructure to telecom operators and internet service providers (ISPs) in India. It executes optical fibre cable (OFC) laying projects for telecom companies and ISPs on a turnkey basis. DEL is a Category-I Telecom Infrastructure provider (IP-I) registered with Department of Telecommunications, Government of India. The company also owns optical fibre OFC network of IP-1 module across different states of India and sells or leases the network to other telecom companies and ISPs. The company was incorporated in 2006 and is headed by Dinesh Kargal, who is the company's Chairman and Managing Director. The company also ventured into city gas distribution through its subsidiaries.

Consolidated - Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	418.06	1,111.81	508.70
PBILDT	123.90	275.95	140.77
PAT	67.36	174.92	72.39
Overall gearing (times)	0.16	0.37	NA
Interest coverage (times)	20.96	13.17	5.23

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
Debentures - Non-Convertible Debentures	INE702Z07017	08-Dec-2023	12.85	30-Jun-2026	25.00	CARE BBB-; Stable
Debentures - Non-Convertible Debentures	INE702Z07025	08-Dec-2023	12.85	30-Jun-2026	75.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	-	04-Nov-2027	0.00	Withdrawn
Fund-based - LT/ ST-Bank Overdraft	-	-	-	-	0.00	Withdrawn
Fund-based - LT/ ST-Bank Overdraft	-	-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	0.00	Withdrawn

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/ ST-Bank Overdraft	LT/ST	-	-	1)CARE BBB-; Stable / CARE A3 (01-Apr-25)	1)CARE BBB-; Stable / CARE A3 (27-Feb-24) 2)CARE BBB-; Stable / CARE A3 (27-Apr-23)	1)CARE A3+; ISSUER NOT COOPERATING* (20-Mar-23)	1)CARE A3+ (11-Mar-22) 2)CARE A3+ (06-Apr-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	-	-	1)CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3	1)CARE BBB; Stable / CARE A3+; ISSUER	1)CARE BBB; Stable / CARE A3+

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
					(01-Apr-25)	(27-Feb-24) 2)CARE BBB-; Stable / CARE A3 (27-Apr-23)	NOT COOPERATING* (20-Mar-23)	(11-Mar-22) 2)CARE BBB; Stable (06-Apr-21)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	-	-	1)CARE BBB-; Stable / CARE A3 (01-Apr-25)	1)CARE BBB-; Stable / CARE A3 (27-Feb-24) 2)CARE BBB-; Stable / CARE A3 (27-Apr-23)	1)CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING* (20-Mar-23)	1)CARE BBB; Stable / CARE A3+ (11-Mar-22) 2)CARE A3+ (06-Apr-21)
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	-	-	1)CARE BBB-; Stable / CARE A3 (01-Apr-25)	1)CARE BBB-; Stable / CARE A3 (27-Feb-24) 2)CARE BBB-; Stable / CARE A3 (27-Apr-23)	1)CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING* (20-Mar-23)	1)CARE BBB; Stable / CARE A3+ (11-Mar-22) 2)CARE BBB; Stable / CARE A3+ (06-Apr-21)
5	Fund-based - LT/ ST-Bank Overdraft	LT/ST	-	-	1)CARE BBB-; Stable / CARE A3 (01-Apr-25)	1)CARE BBB-; Stable / CARE A3 (27-Feb-24) 2)CARE BBB-; Stable / CARE A3 (27-Apr-23)	1)CARE A3+; ISSUER NOT COOPERATING* (20-Mar-23)	1)CARE A3+ (11-Mar-22) 2)CARE A3+ (06-Apr-21)

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
6	Fund-based - LT-Term Loan	LT	-	-	1)CARE BBB-; Stable (01-Apr-25)	1)CARE BBB-; Stable (27-Feb-24) 2)CARE BBB-; Stable (27-Apr-23)	-	-
7	Debentures-Non-Convertible Debentures	LT	100.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (27-Feb-24)	-	-

*Issuer did not cooperate; based on best available information.
LT: Long term; LT/ST: Long term/Short 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	Debentures-Non-Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Bank Overdraft	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	DataExpress Private Limited	Full	Wholly owned subsidiary
2	DEPL O&M Limited	Full	Wholly owned subsidiary
3	DEPL Infra Limited	Full	Wholly owned subsidiary
4	DEPL Projects Limited	Full	Wholly owned subsidiary
5	Gasonet Services (RJ) Limited	Full	Subsidiary
6	Gasonet Services (HP) Limited	Full	Subsidiary
7	Gasonet Services (UK) Limited	Full	Subsidiary

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.

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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.

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