

APRIL 07, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF DAULAT RAM ENGINEERING SERVICES PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	15.86 (enhanced from 1.60)	CARE BB- (Double B Minus)	Reaffirmed
Long term/Short-term Bank Facilities	23.00 (enhanced from 8.70)	CARE BB-/CARE A4 (Double B Minus/A Four)	Reaffirmed
Short-term Bank Facilities	2.00 (enhanced from 0.40)	CARE A4 (A Four)	Reaffirmed
Total	40.86		

Rating Rationale

The reaffirmation of the ratings assigned to the bank facilities of Daulat Ram Engineering Services Private Limited (DESPL) factors in the marginal increase in turnover, infusion of funds by the promoters, decline in the profit margin and marginal deterioration in capital structure, debt coverage indicators, liquidity position during FY14 (refers to the period June 1 to May 31) as well as implementation risk pertaining to the on-going debt-funded capital expenditure projects. The ratings continue to remain constrained on account of its tender-driven nature of the industry leading to increased competition, working capital-intensive nature of operations and vulnerability of profits to fluctuation in the raw material prices and foreign exchange rates.

The ratings, however, continue to derive benefit from experience of the promoters, vast track record of operations and reputed clientele.

The ability of DESPL to complete the on-going projects within the envisaged cost & time and its ability to increase its scale of operations along with improvement in profitability and liquidity position are the key rating sensitivities.

Background

DESPL was incorporated in 1997 by Mr Chander Prakash Sharma. Initially, the company was engaged in repair, reconditioning and rehabilitation of dynamic braking resistors for Indian Railways. Later, DESPL commenced manufacturing of AC/DC motors, traction alternators, auxiliary generator, traction motors, oil cooling blower and many other engineering products which find its application largely in railway locomotives. It largely supplies its products to Diesel Loco Modernisation Works (DMW), Patiala, Diesel Locomotive Works (DLW), Varanasi, Chittaranjan Locomotive Works (CLW), Chittaranjan, and Bharat Heavy Electricals Limited (BHEL).

During FY14, DESPL reported a TOI of Rs.73.35 crore and PAT of Rs.3.61 crore as against a TOI of Rs.72.21 crore and a PAT of Rs.6.73 crore during FY13. As per the provisional results for 9MFY15, DESPL registered a TOI of Rs.90 crore

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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