

NOVEMBER 25, 2014

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

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	8.60	<b>CARE BB- (Double B Minus)</b>	Reaffirmed
Long-term/Short-term Bank Facilities	1.70	<b>CARE BB-/CARE A4 (Double B Minus / A Four)</b>	Reaffirmed
Short-term Bank Facilities	0.40	<b>CARE A4 (A Four)</b>	Reaffirmed
<b>Total</b>	<b>10.70</b>		

**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 5MFY15, DESPL registered a TOI of Rs.70 crore.

**Analyst Contact**

Name: Nitin Jha

Tel: (079) 40265656

Email: [nitin.jha@careratings.com](mailto:nitin.jha@careratings.com)

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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.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

## CONTACT

### Head Office Mumbai

**Mr. D.R. Dogra**

Managing Director  
 Mobile: +91-98204 16002  
 E-mail: dr.dogra@careratings.com

**Ms. Meenal Sikchi**

Vice President - Bank Loan & Instrument Rating  
 Mobile: +91-9819009839  
 E-mail: meenal.sikchi@careratings.com

**Mr. Rajesh Mokashi**

Dy. Managing Director  
 Mobile: +91-98204 16001  
 E-mail: rajesh.mokashi@careratings.com

**Mr. Ankur Sachdeva**

Vice President - Bank Loan & Financial Services  
 Mobile: +91-9819698985  
 E-mail: ankur.sachdeva@careratings.com

**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

*Other Office:*

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069  
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

**AHMEDABAD**
**Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,  
 Satellite, Ahmedabad - 380 015  
 Cell: +91-98242 56265  
 Tel: +91-79-4026 5656  
 E-mail: mehul.pandya@careratings.com

**BENGALURU**
**Mr. Dinesh Sharma**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
 No. 30, M.G. Road, Bangalore - 560 001.  
 Cell: +91-99000 41975  
 Tel: +91-80-4115 0445, 4165 4529  
 E-mail: dinesh.sharma@careratings.com

**CHANDIGARH**
**Mr. Sajan Goyal**

2nd Floor, S.C.O. 196-197, Sector 34-A,  
 Chandigarh - 160 022.  
 Cell: +91 99888 05650  
 Tel: +91-172-5171 100 / 09  
 Email: sajan.goyal@careratings.com

**CHENNAI**
**Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,  
 No. 769, Anna Salai, Chennai - 600 002.  
 Cell: +91 98407 54521  
 Tel: +91-44-2849 7812 / 0811  
 Email: pradeep.kumar@careratings.com

**HYDERABAD**
**Mr. Saikat Roy**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
 Hyderabad - 500 029.  
 Tel: +91-40-4010 2030  
 E-mail: saikat.roy@careratings.com

**JAIPUR**
**Mr. Rahul Jain**

304, Pashupati Akshat Heights, Plot No. D-91,  
 Madho Singh Road, Near Collectorate Circle,  
 Bani Park, Jaipur - 302 016.  
 Cell: +91 – 93149 21496  
 Tel: +91-141-402 0213 / 14  
 E-mail: rahul.jain@careratings.com

**KOLKATA**
**Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
 10A, Shakespeare Sarani, Kolkata - 700 071.  
 Cell: +91-98319 67110  
 Tel: +91-33- 4018 1600  
 E-mail: priti.agarwal@careratings.com

**NEW DELHI**
**Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,  
 Jhandewalan Extension, New Delhi - 110 055.  
 Cell: +91-98117 45677  
 Tel: +91-11-4533 3200  
 E-mail: swati.agrawal@careratings.com

**PUNE**
**Mr. Rahul Patni**

9th Floor, Pride Kumar Senate,  
 Plot No. 970, Bhamburda, Senapati Bapat Road,  
 Shivaji Nagar, Pune - 411 015.  
 Cell: +91-78754 33355  
 Tel: +91-20- 4000 9000  
 E-mail: rahul.patni@careratings.com

CIN - L67190MH1993PLC071691