

January 21, 2016

CARE ASSIGNS 'CARE BB+' RATINGS TO THE BANK FACILITIES OF DCS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities – Fund-based	42.72	CARE BB+ (Double B Plus)	Assigned
Long-term Bank Facilities – Non-fund-based	90.00	CARE BB+ (Double B Plus)	Assigned
Total Facilities	132.72 (Rupees One Hundred and Thirty Two crore and Seventy Two lakh only)		

Rating Rationale

The ratings assigned to bank facilities of DCS Limited are constrained by the relatively moderate scale of operation, concentrated order book position, moderate profitability margins, debt-funded equipment purchase taken up, working capital intensive nature of operations and intense competition due to fragmented nature of the industry. The ratings are, however, underpinned by long and established track record of the promoters, satisfactory project execution capability, healthy order book position, healthy asset base leading to lower dependence on sub-contracting and comfortable capital structure. The ability of the company to diversify and expand the order book, recover contract proceeds in a timely manner and thereby efficiently manage the working capital requirements are the key rating sensitivities.

Background

DCS Limited (DCS) was incorporated as Delta Construction Systems Limited on September 27, 1994 and the name of the company was changed to the current nomenclature on September 27, 2013. The company has been promoted by Mr Raghu Prasad, Mr Satya Prasad and Mr Hari Prasad along with Mr R B Bhatkar. DCS is primarily engaged in construction and mining business with major focus on providing deep and underground excavations, construction services for irrigation projects, bridges, industrial buildings, underground tunnel works in construction sector and high-wall mining, surface mining, shaft sinking, development and underground mine development.

During FY15 (refers to the period April 01 to March 31), DCS reported PBILDT of Rs.8.64 crore (FY14 - Rs.8.46 crore) and PAT of Rs.1.39 crore (FY14 – Rs.1.93 crore) on a total operating income of Rs.80.41 crore (FY14 – Rs.78.92 crore).


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

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



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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.

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