JULY 13, 2016

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF DEE DEVELOPMENT ENGINEERS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	64.19 (reduced from 127.50)	**CARE A- (Single A Minus)**	Revised from CARE BBB+ (Triple B Plus)
Short-term Bank Facilities	153.00 (enhanced from 135.00)	**CARE A2 (A Two)**	Revised from CARE A3+ (A Three Plus)
Long-term/ Short-term bank facilities	571.00 (enhanced from 547.00)	**CARE A- / CARE A2 (Single A Minus / A Two)**	Revised from CARE BBB+/ CARE A3+ (Triple B Plus/ A Three Plus)
Total	**788.19 (Rupees Seven Hundred Eighty Eight crore and Nineteen lakh only)**		

Rating Rationale

The revision in the ratings assigned to the bank facilities of Dee Development Engineers Limited (DDEL) factors in the effect of equity infusion made by the Carlyle group in August 2015 leading to improvement in DDEL's liquidity position as reflected by a reduction in its working capital borrowing utilisation and improved current ratio as on March 31, 2016. While the capital structure of the company was moderately leveraged as on March 31, 2015 due to high working capital borrowings, with this equity infusion, the liquidity position and solvency profile of the company has improved substantially as on March 31, 2016. The ratings continue to derive strength from the experienced promoters of the company, long track-record of operations, established relationships with reputed clientele and moderate debt coverage indicators. However, the ratings are constrained by the moderate order book position, working capital intensive operations of the company characterised by elongated operating cycle and proposed capital expenditure towards a manufacturing facility in Thailand.

Going forward, the ability of the company to improve profitability margins, efficiently execute its order book, build large orders by leveraging on its diversified presence across geographies in the power and oil & gas segments as well as benefiting from the global relationships of its equity partner would determine the company's growth prospects and remains a key rating sensitivity. Furthermore, successful execution of the company's expansion project in Thailand while maintaining the liquidity and capital structure of the company within envisaged levels shall also be a key rating sensitivity.

Background

Dee Development Engineers Limited (DDEL; Brand Name – Dee Piping Systems) was incorporated on March 21, 1988 by Mr K L Bansal. His legacy is being supported by Mr. Atul Bansal, the current CEO, along with a team of experienced professionals. DDEL is primarily engaged in engineering and procurement, manufacture and supply of pre-fabricated piping systems consisting of pipe spools, induction bends, pipe fittings and boiler components for projects, both in domestic as well as for export markets. The company mainly caters to high pressure and super critical piping segment and the products of the company are primarily used in power, oil and gas, process, fertiliser industry, etc. DDEL has expertise in working with alloy steel, carbon steel and stainless steel and air quench induction bends. The company has its manufacturing facility at Faridabad, Haryana, and has an installed production capacity of 36,000 MTPA as on March 31, 2016. The company also has a design and engineering office in Chennai. The company has also set up a biomass power plant of capacity of 8 MW at Abohar, Punjab. The company has been accredited with the ISO 9001:2008, ISO 14001:2004, ISO 3284-2, OHSAS 18001:1999, ASME Code Stamp (PP and S) and pressure equipment directive certification.

During FY16 (Prov; refers to the period April 1 to March 31), DDEL reported a total operating income of Rs.656.04 crore with PBILDT of Rs.101.11 crore and net profit of Rs.28.64 crore.

Analyst Contact

[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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