

NOVEMBER 09, 2015

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

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	127.50 (enhanced from 110.45)	CARE BBB+ (Triple B Plus)	Revised from CARE BBB (Triple B)
Short-term Bank Facilities	135.00 (reduced from 205.30)	CARE A3+ (A Three Plus)	Revised from CARE A3 (A Three)
Long-term/ Short-term Bank Facilities	547.00 (enhanced from 356.70)	CARE BBB+/ CARE A3+ (Triple B Plus/ A Three Plus)	Revised from CARE BBB/ CARE A3 (Triple B/ A Three)
Total Facilities	809.50 (Rupees Eight Hundred Nine crore and Fifty lakhs only)		

Rating Rationale

The revision in ratings assigned to the bank facilities of Dee Development Engineers Limited (DDEL) factors in the substantial equity infusion by the Carlyle group in August 2015 leading to an improvement in DDEL's network and a reduction in its working capital borrowings. While the capital structure of the company was stretched as on March 31, 2015 due to high working capital borrowings, with the said equity infusion, the liquidity position and solvency profile of the company has improved. The rating also factors in robust growth in operating income and improvement in profitability margins during FY15 (refers to the period April 1 to March 31). 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 characterized by elongated operating cycle and proposed capital expenditure towards a manufacturing facility in Thailand.

Going forward, the ability of the company to build up and efficiently execute the order book while maintaining profitability margins, debt funded capex and its impact on the capital structure shall be the key rating sensitivities.

Background

Dee Development Engineers Limited (DDEL) was incorporated on March 21, 1988 by Mr K L Bansal and 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, fertilizer 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, 2015. The company also has a design and engineering office in Chennai. The company has also set up a biomass power plant of capacity of 8MW 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.

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

During FY15, DDEL reported a total operating income of Rs.651.51 crore with PBILDT of Rs.129.31 crore and net profit of Rs.43.52 crore. In Q1FY16 (refers to the period April 1 to June 30) (provisional), DDEL achieved total operating income of Rs.178.08 crore with net profit of Rs.9.28 crore.

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

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CIN - L67190MH1993PLC071691