

FEBRUARY 03, 2015

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

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	110.45 (enhanced from 77.33)	CARE BBB (Triple B)	Reaffirmed
Short-term Bank Facilities	205.30 (enhanced from 125.00)	CARE A3 (A Three)	Reaffirmed
Long-term/ Short-term Bank Facilities	356.70 (enhanced from 275.00)	CARE BBB/ CARE A3 (Triple B/ A Three)	Reaffirmed
Total Facilities	672.45		

Rating Rationale

The ratings continue to derive strength from the experienced promoters of the company, long track-record of operations, healthy order book with reputed clientele providing repeat business, and moderate financial risk profile marked by steady growth in operating income, moderate capital structure and debt coverage indicators. Even though profitability margins declined during FY14 (refers to the period from April 01 to March 31) on account of high foreign exchange losses and other costs, the same continue to remain comfortable. The ratings also favourably consider the successful completion of the capacity expansion project in December 2013.

However, the ratings are constrained by the working capital intensive operations of the company characterized by high utilization of working capital limits and elongated operating cycle as well as moderately concentrated order book.

Going forward, the ability of the company to efficiently and timely execute the order book and manage working capital requirements 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, 2014. 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.

During FY14 (refers to period from April 1 to March 31), DDEL reported a total operating income of Rs. 489.95 crore with PBILDT of Rs. 89.91 crore and net profit of Rs. 19.16 crore. In H1FY15 (refers to period April 1 to September 30) (provisional), DDEL achieved total operating income of Rs. 228.46 crore with net profit of Rs. 9.82 crore.

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

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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