

January 11, 2011

**CARE REAFFIRMS TO RATINGS TO THE BANK FACILITIES OF
DHANSAR ENGINEERING COMPANY PVT LTD.**

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	95.7	'CARE BBB-' (Triple B minus)	Reaffirmed
Short-term Bank Facilities	38.0	'PR3' (PR Three)	Reaffirmed
Long-term loan from NBFCs*	91.7	'CARE BBB-' (Triple B Minus)	Reaffirmed
Short-term loan from NBFCs*	1.0	'PR3' (PR Three)	Reaffirmed
Total	226.4		

**Non-banking finance companies*

Rating Rationale

The ratings derive strength from the experience of the promoters, successful track record in coal mining related activities, healthy order book position and reputed clientele. The ratings are however, constrained by closely held nature of the company with small size of operation, capital intensive nature of business and high gearing ratios with low interest coverage. Ability of the company to secure orders regularly from coal companies as well as private miners and maintain healthy order book position, timely & successful completion of contracts, ability to scale up operation and increase profitability on a sustainable basis are the key rating sensitivities.

Company Profile

Dhansar Engineering Company Private Ltd. (DECO), belonging to Agarwalla family of Dhanbad, was incorporated in 1955 by Shri Basant Kumar Agarwalla, with the objective of carrying out iron foundry business. After remaining dormant for over four decades, DECO started civil construction activities in 1998. From 2003 onwards, the company forayed into contract coal mining activities (open cast) and is, currently, into activities like site leveling, excavation, evacuation, surface mining, drilling and blasting.

DECO is currently in coal mining and zinc mining, removal of overburden, transportation services in relation to mining, site levelling and grading, letting out heavy earth moving equipments to other contractors and slurry evacuation (washery waste), loading and transporting.

DECO earned PBILDT of Rs. 70.5 crore (Rs. 49.5 crore in FY09) and PAT (after defd. tax) of Rs.6.7 crore (Rs. 4.8 crore in FY09) on net revenue of Rs.270.3 crore (Rs. 183.3 crore in FY09) in FY10. GCA level stood at a moderate level of Rs.52.9 crore in FY10.

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

Both debt-equity and overall gearing ratios were high, as on March 31, 2010. Interest coverage (PBIDT/Interest) was moderate at 3.73 for FY10.

Liquidity position of the company as reflected in the current ratio has been moderate at 1.14 mainly due to substantial term loan repayment obligation.

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Disclaimer

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