

June 22, 2010

CARE ASSIGNS 'CARE BBB-' AND 'PR3' RATINGS TO THE BANK FACILITIES OF DHANSAR ENGG CO. PVT. LTD.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	95.7	'CARE BBB-' (Triple B Minus)	Assigned
Short-term Bank Facilities	38.0	'PR3' (PR Three)	Assigned
Long-term loan from Non-banking finance companies	91.7	'CARE BBB-' (Triple B Minus)	Assigned
Short-term loan from Non-banking finance companies	1.0	'PR3' (PR Three)	Assigned
Total Facilities	226.4		

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 operations, 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 and 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 & blasting.

DECO is currently operational in the coal and zinc mining areas for rendering the services such as coal mining and zinc mining, removal of overburden, transportation services in relation to mining, site levelling and grading, heavy earth moving equipments on hire to other contractors and slurry evacuation (washery waste), loading and transporting.

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

DECO earned PBILDT of Rs.49.5 crore (Rs.26.8 crore in FY08) and PAT (after defd. tax) of Rs.4.8 crore (Rs.2.4 crore in FY08) on net revenue of Rs.183.3 crore (Rs.125.1 crore in FY08) in FY09. GCA level stood at a moderate level of Rs.35.4 crore in FY09. Both debt-equity and overall gearing ratios were high, as on the last three account closing dates. Interest coverage was low at 1.43 for FY09. Liquidity position of the company as reflected in the current ratio has all along been low due to substantial term loan repayment obligation.

Analyst Contact

Name: Arindam Saha / Monika Goenka

Tel #: 033-22831800

Mobile # 09230542937/09874396278

Email: arindam.saha@careratings.com/monika.goenka@careratings.com

CARE 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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr.Ashwini Jani Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 91766 47599 E-mail : ashwini.jani@careratings.com</p>	<p>Mr. Rahul Patni Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat NagarHyderabad - 500 029 Tel – 040 _40102030 Mobile – 91600 04563 E-mail: rahul.patni@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>