

April 15, 2014

**CARE REAFFIRMS THE VARIOUS RATINGS ASSIGNED TO THE BANK FACILITIES OF
DODSAL ENTERPRISES PVT LTD**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	48.47	CARE BBB-[Triple B Minus]	Reaffirmed
Short-term Bank Facilities	8.50	CARE A3[A Three]	Reaffirmed
Long-term Bank Facilities@	50	CARE BBB(SO) [Triple B(Structured Obligation)]	Reaffirmed
Long/Short-term Bank Facilities@	602	CARE BBB(SO)/ CARE A3+(SO) [Triple B(Structured Obligation)]/ [A Three Plus(Structured Obligation)]	Reaffirmed
Total Facilities	709.97		

@Irrevocable and unconditional corporate guarantee extended by Dodsals Engineering and Construction Pte. Limited, (DECPL, operating out of Dubai, UAE) for the facilities aggregating to Rs.652 crore

Rating Rationale

The reaffirmation of ratings assigned to the bank facilities of Dodsals Enterprises Pvt Ltd continue to derive strength from the demonstrated track record of the promoters in EPC execution, established franchisee model for 'Pizza hut' in the casual dining industry and efficient working capital cycle management with moderate reliance on debt. The ratings also consider the proposed restructuring arrangement which is not expected to weigh negatively on the overall credit profile of DEPL. The ratings further derive strength from the irrevocable and unconditional corporate guarantee extended by Dodsals Engineering and Construction Pte Limited (DECPL) for the facilities aggregating upto Rs.652 crore with respect to Engineering, Procurement and Construction (EPC) Division.

The ratings are, however, constrained by low profitability from the food division on account of high proportion of fixed outgo, moderately debt funded capital expenditure for the new outlets and high competition from the presence of the organized and unorganized segment in the casual dining restaurant.

Credit perspective on DECPL

The credit profile of DECPL continues to derive strength from the established track record and demonstrated execution capabilities of the Dodsals group in turnkey EPC contracts especially in the middle-east countries, order book position and new orders during FY14 (refers to the period April 1 to March 31) providing revenue visibility over the period of two-three years, comfortable overall gearing ratio.

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

These strengths are, however, off-set by a decline in profitability margin during FY13, high contingent liability in the form of guarantee for the projects and support to the group company by drawing term debt.

Timely completion of EPC project without any cost and time overrun and ability to win projects to provide growth in the revenue remain the key monitorables from a credit perspective.

Background

DEPL, a closely held company formerly known as Dodsai Engineering & Construction Pvt Ltd till August 2009, belongs to the Dodsai Group. DEPL was established in 1997 to carry out the engineering and construction contracts in India. Later, Dodsai Corporation Pvt Ltd (comprising restaurant business) and Dodsai Agency Services Pvt Ltd (an indenting agency for chemicals and engineering products) were merged into DEPL with effect from April 1, 2008. At present, DEPL has three distinct divisions viz: Casual Dining Restaurants (Food Division), Engineering, Procurement & Construction (EPC division) and Trading (Agency Division). On March 7, 2011 Dodsai group acquired 100% equity stake in AE&E I.D.E.A (India) Pvt. Ltd. for USD 88.85 million from A-TEC Industries AG, a Vienna based industrial group and renamed it Dodsai Engineering & Construction (India) Pvt. Ltd. (DECIPL) During FY12, DEPL acquired 100% equity stake in Pizzeria Pure Foods Restaurants (India) Pvt. Ltd. (PPFR) having 8 outlets in Pune. The group's flagship company, Dodsai Engineering and Construction Pte Ltd, (DECPL, operations based out of Dubai, UAE), along with its subsidiaries, is engaged in the EPC activity, involving laying of pipelines, equipments for the oil and gas companies in over 22 countries in the Middle East, Europe, Africa, Indian Subcontinent and South-East Asia.

Recent updates

- During FY14, DEPL proposed the merger of its subsidiaries and demerger of its food division. As per the Scheme, 'Dodsai Engineering and Construction India Pvt Ltd (DECIPL) will be merged with the DEPL and the food division along with subsidiary 'Pizzeria Pure Foods Restaurants (India) Pvt Ltd (Pizzeria) will be demerged to another entity 'Dodsai Hospitality Pvt Ltd' (DHPL) from September 2013 onwards. The business restructuring is pending approval from the Bombay High Court. DECPL shall continue to extend the corporate guarantee for the EPC division after the proposed restructuring.
- In August, 2013, DEPL has sold its 'KFC' business (comprising 6 stores) to Indian entity of 'Yum Brands Inc.' for a consideration of Rs.22 crore. Furthermore, it opened 3 new 'pizza-hut' stores during FY14 funded through sale consideration of KFC.

During FY13, DEPL posted PAT of Rs.1.89 crore (vis-à-vis a PAT of Rs.0.83 crore in FY12) on total income of Rs.238.13 crore (vis-à-vis Rs.210.14 crore in FY12).

During FY13, DECPL reported a total revenue of USD 954 million (USD 661 million for FY12) and reported APAT of USD 15 million (USD 21 million for FY12).

Analyst Contact

Name: Rajashree Murkute

Tel: 022-61443505

Email: rajashree.murkute@careratings.com

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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
Mobile : +91-98204 16002
E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director
Mobile +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President –Bank Loan &
Instrument Rating
Mobile: +91-9819009839
mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President – Banks & Financial
Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LTD

HEAD OFFICE 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-022- 6754 3456 | E-mail: care@careratings.com | Fax: +91-022- 6754 3457.

KOLKATA | **Ms. Priti Agarwal** | Cell: +91-98319 67110 | Tel: +91-33- 4018 1600/ 1602 | E- mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

CHENNAI | **Mr. V Pradeep Kumar** | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax: +91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002

AHMEDABAD | **Mr. Mehul Pandya** | Cell: +91-98242 56265 | Tel: +91-79-40265656 | Fax: +91-79-40265657 | E-mail:mehul.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

NEW DELHI | **Ms. Swati Agrawal** | Cell: +91-98117 45677 | Tel: +91- 11- 2331 8701/ 2371 6199 | E-mail: swati.agrawal@careratings.com | 3rd Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

BENGALURU | **Mr. Dinesh Sharma** | Cell: +91 9900041975 | Tel: +91-80-41150445 | 41654529 | E-mail: dinesh.sharma@careratings.com | Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bengaluru- 560 001.

HYDERABAD | **Mr. Saikat Roy** | Tel: +91-40-40102030 | E-mail: saikat.roy@careratings.com | 401, Ashoka Scintilla | 3-6-520, Himayat Nagar | Hyderabad - 500 029.

PUNE | **Mr. Rahul Patni** | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 | E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

JAIPUR | **Mr. Rahul Jain** | Cell: +91-9314921496 | Tel: +91-0141-4020213/14 | E-mail: rahul.jain@careratings.com | 304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016.