

## Dodsal Enterprises Private Limited

September 13, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term Bank Facilities <sup>^</sup>	35.00	<b>CARE BB (CE), Stable; Issuer Not Cooperating* [Double B (Credit Enhancement), Outlook: Stable; Issuer Not Cooperating*]</b>	<b>Issuer Not Cooperating, Revised from CARE BBB- (SO); Stable [Triple B Minus (Structured Obligation), Outlook: Stable] on the basis of best available information</b>
Long-term/Short-term Bank Facilities <sup>^</sup>	540.00	<b>CARE BB (CE); Stable /CARE A4 (CE); Issuer Not Cooperating* [Double B (Credit Enhancement), Outlook: Stable/ A Four (Credit Enhancement); Issuer Not Cooperating*]</b>	<b>Issuer Not Cooperating, Revised from CARE BBB- (SO); Stable /CARE A3 (SO)[Triple B Minus (Structured Obligation), Outlook: Stable/ A Three (Structured Obligation)] on the basis of best available information</b>
<b>Total facilities</b>	<b>575.00 (Rupees Five Hundred and Seventy Five crore only)</b>		

*Details of facilities in Annexure-1*

\*backed by credit enhancement in the form of Irrevocable and unconditional corporate guarantee extended by Dodsal Engineering and Construction Pte Limited (DECPL, operating out of Dubai, UAE) to the lenders of Dodsal Enterprises Pvt Ltd (DEPL) for repayment of the obligations on the bank facilities of Rs.575 crore.

<b>Unsupported Rating<sup>2</sup></b>	<b>CARE D (Single D)</b>
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### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Dodsal Enterprises Private Limited (DEPL) to monitor the ratings vide e-mail communications dated September 11, 2019; September 10, 2019; September 05, 2019; September 03, 2019; August 14, 2019; June 26, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on DEPL's bank facilities will now be denoted as **CARE BB (CE); Stable/ CARE A4 (CE)**.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.***

#### Detailed description of the key rating drivers (DEPL)

The revision in the ratings takes into account, delays in the debt servicing by Dodsal Enterprises Private Limited as confirmed by the lenders as well as weak financial profile of the guarantor company Dodsal Engineering and Construction Pte Ltd (DECPL) during the year FY18.

The ratings to the bank facilities of Dodsal Enterprises Pvt Ltd (DEPL) continue to derive strength from credit enhancement in the form of unconditional and irrevocable corporate guarantee extended by Dodsal Engineering and Construction Pte Limited (DECPL) to the lenders of Dodsal Enterprise Pvt Ltd for the timely repayment obligations on the bank facilities of Rs.575 crore availed by the latter. However, the corporate guarantee extended by DECPL, has not been invoked.

*At the time of last rating on April 06, 2018 the following were the rating strengths and weaknesses (updated for the information available):*

#### Detailed description of the key rating drivers for unsupported ratings of DEPL

The rating takes into account ongoing delays in the interest servicing for around 60 to 90 days against the cash credit bank facilities as confirmed by the bankers. Given the instances of delays in debt servicing, the credit perspective of DEPL, without any credit enhancement, would stand at CARE D; [Single D].

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not cooperate; Based on best available information

<sup>2</sup>As stipulated vide SEBI circular no SEBI/HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019

## Detailed description of the key rating drivers (TCCSPL)

### Key Rating Weaknesses

#### **Volatility in profitability margin and foreign currency exchange risk with respect to import of materials:**

During FY18, the DEPL's revenue declined by 63% to Rs. 75 crore as against Rs. 203 crore during FY17. However, the company earned a PBILDT margin of 28.41% during FY18 as against 12.06% in FY17. The company continued to report losses at PAT level for the year FY18. The profitability margins are also exposed to currency risk with respect to import of materials.

#### **Deteriorated debt coverage indicators:**

Interest coverage ratio continued to deteriorate to 0.93x during FY18 (refers to the period April 1 to March 31) vis-à-vis 1.17x during FY17. Overall gearing ratio also deteriorated to 2.04x as on March 31, 2018 from 1.76x as on March 31, 2017 with increase in working capital borrowings for the on-going projects.

#### **Support to the group entity:**

Dodsai Resources, one of the group companies of DECPL has invested in gas block and gold mine plot in Tanzania for which DECPL has raised loans of USD 80 million over the period FY13 and FY14. The company has confirmed CARE that further funds required towards the exploration activity would be raised in Dodsai Resources by either monetization of the gas block or by forming a joint-venture for exploration.

### Key Rating Strengths

#### **Established track record and demonstrated execution capabilities with the reputed clientele:**

DEPL belongs to the Dodsai group, founded in Mumbai, India, in 1948 by the Nandlal Kilachand family. The group moved its headquarters from Mumbai to Dubai in 2003. The group has demonstrated experience of more than four decades in the execution of the turnkey projects. Furthermore, the group had executed projects for reputed clients such as Abu Dhabi Gas Industries Ltd, Saipem S.p.A, Italy, etc.

#### **Order book position imparting strong revenue visibility over medium term:**

The order book comprises projects primarily from EPC in oil & gas industry in Middle-east countries such as Saudi Arabia, Algeria, UAE and Kuwait.

### Liquidity

DEPL had cash and bank balance of Rs. 4.29 crore as on March, 2018. The current ratio stood at 1.13x as on March, 2018 as against 1.10x as on March, 2017. The guarantor DECPL had unencumbered cash balance position of USD 23.62 millions.

### Analytical approach:

**For Unsupported rating:** CARE has adopted a standalone approach.

**For Credit enhanced rating:** DEPL has provided corporate guarantee to the Bank facilities availed by DEPL. Therefore for arriving at the ratings, CARE has analyzed the financials of DECPL. Despite repeated requests DEPL has not furnished detailed information on the operational performance and financial performance of DEPL and DECPL.

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[Rating methodology- Factoring Linkages](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios - Non-Financial sector](#)

### About the Company (DEPL)

Dodsai Enterprises Private Limited (DEPL), a closely-held company formerly known as Dodsai Engineering & Construction Pvt Ltd till August 2009, belongs to the Dubai-based Dodsai group. DEPL was established in 1948 to carry out the engineering and construction contracts (EPC Division) in India and later diversified into business such as Casual Dining Restaurant (Food Division) and Trading (Agency Division). The food business was sold to Samara Capital (Private Equity) in September 2015.

Brief Financials of DEPL (Rs. crore)*	FY18 (A)	FY19 (A)
Total operating income	203.36	75.09
PBILDT	25.72	21.33
PAT	-2.43	-2.84
Overall gearing (times)	1.76x	2.04x
Interest coverage (times)	1.17x	0.93x

A: Audited; Prov: Provisional

**About the LOC Provider (DECPL)**

The group's flagship company, Dodsal Engineering and Construction Pte Ltd. (DECPL), along with its subsidiaries, is engaged in the EPC activity, involving laying of pipelines, equipment for the oil and gas companies in over 22 countries in the Middle East, Europe, Africa, Indian Subcontinent and South-East Asia.

Brief Financials of DECPL (USD Millions)	FY17 (A)	FY18 (P)
Total operating income	1450.04	685.68
PBILDT	25.68	-119.90
PAT	-95.62	-151.37
Overall gearing (times)	-ve	-ve
Interest coverage (times)	0.82x	-ve

A: Audited; Prov: Provisional

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Not Applicable**

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	35.00	CARE BB (CE); Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB- (SO); Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - LT/ST-BG/LC	-	-	-	540.00	CARE BB (CE); Stable / CARE A4 (CE); ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB- (SO); Stable / CARE A3 (SO); ISSUER NOT COOPERATING* on the basis of best available information

\*Issuer did not cooperate; Based on best available information

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (19-Apr-16)
2.	Fund-based - LT-Cash Credit	LT	35.00	CARE BB (CE); Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB- (SO); Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB- (SO); Stable; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE BBB (SO); Stable (21-Apr-17)	1)CARE BBB (SO) (19-Apr-16)
3.	Non-fund-based - LT/ST-BG/LC	LT/ST	540.00	CARE BB (CE); Stable / CARE A4 (CE); ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB- (SO); Stable / CARE A3 (SO); ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB- (SO); Stable / CARE A3 (SO); ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE BBB (SO); Stable / CARE A3+ (SO) (21-Apr-17)	1)CARE BBB (SO) / CARE A3+ (SO) (19-Apr-16)
4.	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (19-Apr-16)
5.	Non-fund-based - ST-BG/LC	ST	-	-	-	-	-	1)Withdrawn (19-Apr-16)

\*Issuer did not cooperate; Based on best available information

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### 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/outlooks 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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**