

Dodsal Enterprises Private Limited

October 21, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities [^]	35.00	CARE BB (CE), Stable; ISSUER NOT COOPERATING* [Double B (Credit Enhancement), Outlook: Stable; Issuer Not Cooperating]	Issuer Not Cooperating; Based on best available information
Long-term/Short-term Bank Facilities [^]	540.00	CARE BB (CE); Stable /CARE A4 (CE); ISSUER NOT COOPERATING* [Double B (Credit Enhancement), Outlook: Stable/ A Four (Credit Enhancement); Issuer Not Cooperating]	Issuer Not Cooperating; Based on best available information
Total	575.00 (Rs. Five hundred and seventy five crore only)		

Details of instruments/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.

Unsupported Rating ²	CARE D (Single D)
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Note : Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated September 13, 2019, placed the rating(s) of Dodsal Enterprises Pvt. Ltd. (DEPL) under the 'issuer non-cooperating' category as DEPL had failed to provide information for monitoring of the rating. DEPL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated September 30, 2020; October 01, 2020; October 05, 2020; October 06, 2020 and October 08, 2020. 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.

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

Detailed description of the key rating drivers

At the time of last rating on September 13, 2019, the following were the rating strengths and weaknesses:

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: Dodsal 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

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

² As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).

confirmed CARE that further funds required towards the exploration activity would be raised in Dodsals 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 Dodsals 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 million.

Analytical approach:

For Unsupported rating: CARE has adopted a standalone approach.

Further as per CARE's interaction with DEPL's lenders there have been instances of delays in debt servicing while the corporate guarantee issued by DECPL has not been invoked.

For Credit enhanced rating: DECPL 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](#)

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

[Factoring Linkages in Ratings](#)

[Financial ratios –Non-Financial Sector](#)

[Rating credit enhanced debt](#)

About the Company (DEPL)

Dodsals Enterprises Private Limited (DEPL), a closely-held company formerly known as Dodsals Engineering & Construction Pvt Ltd till August 2009, belongs to the Dubai-based Dodsals 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. in crore)	FY17 (A)	FY18 (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; Note: Financials classified as per CARE's internal standards

About the Guarantor (DECPL):

The group's flagship company, Dodsals 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 (in USD Million)	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; P: Provisional; Note: Financials classified as per CARE's internal standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Complexity level of various instruments rated for this company: Annexure 3

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*
Non-fund-based - LT/ ST-BG/LC	-	-	-	540.00	CARE BB (CE); Stable / CARE A4 (CE); ISSUER NOT COOPERATING*

**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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	35.00	CARE BB (CE); Stable; ISSUER NOT COOPERATING*	-	1)CARE BB (CE); Stable; ISSUER NOT COOPERATING* (13-Sep-19)	1)CARE BBB-(SO); Stable; ISSUER NOT COOPERATING* (06-Apr-18)	1)CARE BBB (SO); Stable (21-Apr-17)
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	540.00	CARE BB (CE); Stable / CARE A4 (CE); ISSUER NOT COOPERATING*	-	1)CARE BB (CE); Stable / CARE A4 (CE); ISSUER NOT COOPERATING* (13-Sep-19)	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)

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

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT/ ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to 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

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