RATING RATIONALE

03 Nov 2023

Deccan Hydraulics Private Limited

Brickwork Ratings assigns and upgrades the ratings for the Bank Loan Facilities of Rs. 19.05 Crs. of Deccan Hydraulics Private Limited.

Particulars:

Facility	Amount (₹ Cr)		Tenure	Rating#	
	Previous	Present		Previous (20 Jan 2023)	Present
Fund Based OCC/ODBD-(Sanctioned)	0.00	**15.55**	**Long Term**		**BWR BB Stable Assignment**
Term Loan (Outstanding)	1.25	**0.00**	**Long Term**	BWR C Continues to be in ISSUER NOT COOPERATING* category/Downgraded	**Withdrawal**
OCC/ODBD-(Sanctioned)	9.00	**0.00**	**Short Term**	BWR A4 Continues to be in ISSUER NOT COOPERATING* category/Reaffirmed	**Withdrawal**
PC/PCFC-(Sanctioned) CBD- (Sanctioned) Supply Bills-(Sanctioned) FBE/BRD -(Sanctioned)	2.00 0.50 1.00 3.05	**1.00** **0.00** **1.00** **0.00**	**Short Term**	BWR A4 Continues to be in ISSUER NOT COOPERATING* category/Reaffirmed	**BWR A4+ removal from ISSUER NOT COOPERATING* Category/Upgrade**
Non Fund Based Bank Guarantee-(Sanctioned) ILC/FLC-(Sanctioned)	1.00 0.50	**1.00** **0.50**	**Short Term**	BWR A4 Continues to be in ISSUER NOT COOPERATING* category/Reaffirmed	**BWR A4+ removal from ISSUER NOT COOPERATING* Category/Upgrade**
Total	18.30	**19.05**	**Rupees Nineteen Crores and Five lakhs Only**		

Please refer to BWR website **www.brickworkratings.com/** for definition of the ratings
* Issuer did not cooperate, based on the best available information.

RATING ACTION / OUTLOOK

Brickwork Ratings has assigned ratings of BWR BB/stable for the long term and upgraded the ratings of BWR A4+ for short-term bank loan facilities of Rs. 19.05 crore of Deccan Hydraulics Private Limited.

The rating draws strength from the Extensive experience of the partners and Consistent growth in business. However, the rating is constrained by the Capacity to raise capital in case of expansion and diversification.

BWR believes that Deccan Hydraulics private limited business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

KEY RATING DRIVERS

Credit Strengths-:

Extensive experience of the partners :

The decade long experience of the partners, their strong understanding of the market dynamics and healthy relationships with reputed customers should continue to support the business.

Repeated Orders from the existing customers due to efficient execution of orders.

Consistent Growth in Business :

There is constant growth in the business of the company. Sales for FY 23 is Rs. 49.38Crs is increased from Rs. 38.07 Crs of FY 22. It is expected to be Rs. 86.03 Crs for FY 24 (Projections). PAT has improved to Rs 2.54 crs in FY23 as compared to Rs 0.08 crs in FY22.

Credit Risk-:

Capacity to Raise capital in case of expansion and diversification.

ANALYTICAL APPROACH - Standalone

For arriving at its ratings, Brickwork Ratings has applied its rating methodology as detailed in the Rating criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward the company's ability to improve the scale of operations, improve and maintain profitability, the debt servicing capability & liquidity and manage its working capital efficiently will be the key rating sensitivities.

Positive:

The rating will be upgraded if the company is able to achieve significant growth in revenue and improvement in profit margins to improve its cash accruals and thereby the liquidity with other metrics such as gearing, debt coverage ratios and working capital cycle.

Negative:
The rating may be downgraded if there is lower than expected revenues affecting the profitability margins or deterioration in its financial risk profile from current level.

LIQUIDITY INDICATORS - Adequate
Liquidity of the Company is adequate, marked by an optimum overdraft utilization level of around 90%. The Current Ratio remains moderate at 1.49x in FY23 indicates a reasonable liquidity position. The cash and bank balance of the company increased to Rs. 3.06 cr in FY 23 from Rs 1.79 Cr In FY 22.

ABOUT THE ENTITY
Deccan Hydraulics Pvt Ltd (DHPL), was established in the year 1992 as a partnership firm. It was reconstituted as a Private limited company in May 2000. DHPL has a manufacturing facility and Registered office located in its own land and building in KIADB Industrial Area Dasarahosahalli, Bangarpet, Kolar District, Karnataka. DHPL is engaged in the business of manufacturing of Hydraulics (Hydraulic Cylinders, Hydraulic Reciprocating Pumps, Control Valves, Check valves, Hydraulic Jacks, Latches, CNG Carburetors), Fabrication (Fuel tanks, Hydraulic tanks, Tubular structures) & piping (Pipe bending & its Fabrication), Powerline (Power take off Units for Tippers). Surface treatment (Phosphating, Wet Painting & Powder Coating) and fasteners.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY2022	FY2023	FY2024
Result Type		**Audited**	**Audited**	**Unaudited**
Operating Revenue	Rs. Crs	39.09	49.97	N.A
EBITDA	Rs. Crs	3.12	6.05	N.A
PAT	Rs. Crs	0.08	2.54	N.A
Tangible Net worth	Rs. Crs	6.02	8.56	N.A
Total Debt	Rs. Crs	40.13	40.06	N.A

KEY COVENANTS OF THE FACILITY RATED
The terms of sanction include standard covenants normally stipulated for such facilities.

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY
No ratings with other CRAs.

ANY OTHER INFORMATION: N.A

RATING HISTORY FOR THE PREVIOUS THREE YEARS [INCLUDING WITHDRAWAL AND SUSPENDED]

Instrument / Facilities	Current Rating^			Rating History					
	03 November 2023			20 Jan 2023		28 Jan 2022		19 Feb 2021	
	Tenure	Amount (₹ Cr)	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based	Long Term Long Term Short Term	15.55 0.00 0.00 2.00	**BWR BB/Stable** Assignment Withdrawal Withdrawal **BWR A4+** removal from ISSUER NOT COOPERATING * Category/Upgrade	20 Jan 2023	BWR C Issuer Not Cooperating *Downgrade BWR A4 Issuer Not Cooperating * Reaffirm	28 Jan 2022	BWR C+ Issuer Not Cooperating* Downgrade BWR A4 Issuer Not Cooperating* Reaffirm	19 Feb 2021	BWR B-/Negative Issuer Not Cooperating* Downgrade BWR A4 Issuer Not Cooperating* Reaffirm
Non Fund Based	Short Term	1.50	**BWR A4+** removal from ISSUER NOT COOPERATING * Category/Upgrade		BWR A4 Issuer Not Cooperating * Reaffirm		BWR A4 Issuer Not Cooperating* Reaffirm		BWR A4 Issuer Not Cooperating* Reaffirm
Total		**19.05**	**Rupees Nineteen Crores and Five Lakhs only**						

COMPLEXITY LEVELS OF THE INSTRUMENTS - Simple

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com / download / ComplexityLevels.pdf](www.brickworkratings.com/download/ComplexityLevels.pdf). Investors' queries can be sent to info@brickworkratings.com.

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to financial ratios
- Manufacturing Companies
- Short Term Debt

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ANNEXURE-I
Deccan Hydraulics Pvt Ltd

Details of Bank Loan Facilities rated by BWR

Name of the Bank	Facilities	Tenure	Amount (Rs.Crs.)
Canara Bank	OCC/ODBD-(Sanctioned)	Long term	15.55
	Term Loan (Outstanding)	Long term	0.00
	OCC/ODBD-(Sanctioned)	Short term	0.00
	PC/PCFC-(Sanctioned)	Short term	1.00
	CBD-(Sanctioned)	Short term	0.00
	Supply Bills-(Sanctioned)	Short term	1.00
	FBE/BRD -(Sanctioned)	Short term	0.00
	BankGuarantee-(Sanctioned)	Short term	1.00
	ILC/FLC-(Sanctioned)	Short term	0.50
Total	Rupees Nineteen Crores and Five lakhs only		19.05

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