Rating Rationale

Brickwork Ratings reaffirms 'BWR BB-' for Long Term Bank Loan Facilities & 'BWR A4' for Short Term Bank Loan Facilities aggregating ₹ 6.69 Cr of Desmi Equipments Private Limited.

Brickwork Ratings (BWR) has reaffirmed 'BWR BB-' **Ratings**[1] for Long Term Bank Credit Facilities of ₹ 6.62 Cr and 'BWR A4' Rating for Short Term Bank Credit Facilities of ₹ 0.07 Cr of Desmi Equipments Private Limited *(DEPL or the Company)*.

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based (FB)			
Cash Credit	6.00	Long Term	**BWR BB-** (Pronounced BWR Double B minus) **(Outlook : Stable)**
Term Loan	0.62		
Total FB	**6.62**		
Non Fund Based (NFB)			
Bank Guarantee	0.07	Short Term	**BWR A4** (Pronounced BWR A Four)
Total NFB	**0.07**		
Total FB + NFB Limits	**6.69**	**(INR Six Crores and Sixty Nine Lakhs only)**	

BWR has principally relied upon the audited financial results up to FY14 and projected financials of Desmi Equipments Private Limited, publicly available information and information/clarification provided by the Company management.

The rating inter alia, reflects the experience of the promoters, long standing relations with reputed customer base, relatively better margins, huge potential market with increase in industrial activities in the area resulting revenue visibility and promoters ability to infuse equity as per business requirement.

The rating is however constrained by company's relatively small scale of operations, continued availability of working capital limits commensurate with turnover, single line of management, industry characterized by severe competition mainly from unorganized players in market.

Background

Desmi Equipments Pvt. Ltd. (DEPL) is a manufacturing company engaged in the manufacturing of sheet metal components, enclosures & panels used in various industries such as telecommunications, pollution and environmental control equipments, medical equipments, electronic industries etc. DEPL was incorporated in the year 1997, and was promoted by Mr. Deepak Achuthan who has rich experience of more than two decades in the line of manufacturing Special Purpose machines for lamp industries & Sheet metal manufacturing industry.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

DEPL is ISO 9001:2008 certified company and has its registered office and manufacturing site in Thane. DEPL's products are sold in domestic and international markets. Their sale caters to several leading MNCs like Siemens, L&T, Raychem RPG Pvt. Ltd., ASB International Pvt. Ltd. etc., in India and abroad.

In 1997, at the time when DEPL started production, it had only one Turret punch press and all the other jobs related to the manufacture of sheet metal panels were being outsourced. Thereafter, DEPL purchased CNC Shearing and Bending Machines and a bigger and better punch press with a higher capacity which enabled the company to increase its production base. The company then acquired the factory premises where they are currently operating and installed its own powder coating plant, bringing more than 90% of the related manufacturing activities under one roof. Going forward, DEPL has plans to increase their capacity and install a fibre-optic laser machine, which will further improve the production capacity and quality. For their future expansion, the company has purchased land on the Nasik Road where they intend to set up a similar unit but with a much higher capacity that will cater well to the needs of clients. The company also has plans to expand into their own range of products in the coming years.

Financial Performance

Revenues increased by 18.4% to ~Rs 18.61Cr in FY14 compared to Rs 15.73Cr in FY13. Operating profit levels have slightly decreased from Rs 1.57Cr to Rs 1.44Cr, whereas margins decreased to 7.76% from 10.18% in FY13 on account of higher overheads. The net profit level has slightly increased to Rs 0.22Cr from 0.15Cr with margins of ~1.19%. Debt levels has shown increasing trend in recent years mainly consisting of working capital loan due to higher order inflows. Interest coverage ratio has shown declining trend in FY14, mainly due to significant increase in incremental working capital requirement in 2013-14. However, by better operating performance Interest coverage ratio is expected to improve going forward.

Rating Outlook

The ability of the company to increase its profitability as well as ability to manage the working capital and liquidity position at satisfactory levels will remain the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	**Media Contact**
1-860-425-2742	media@brickworkratings.com

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