

Dhanalaxmi Roto Spinners Limited

June 08, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1.50	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; (Double B; Outlook: Stable)
Short Term Bank Facilities	15.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	16.50 (Rs. Sixteen Core and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated August 12, 2021 placed the rating(s) of Dhanalaxmi Roto Spinners Limited (DRSL) under the 'issuer non-cooperating' category as DRSL had failed to provide information for monitoring of the rating for the rating exercise as agreed to in its Rating Agreement. DRSL continues to be non-cooperative despite repeated requests for submission of information including No Default Statement through e-mails, phone calls and an email dated over March 1, 2022 and June 3, 2022. 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

Key Rating Strengths

At the time of last rating on August 12, 2021 the following were the rating strengths and weaknesses (updated for the information available from BSE)

Key rating weakness

Modest scale of operations with increase in total operating income

The scale of operations of the company increased from Rs.76.25 crore in FY21 to Rs.123.19 crore in FY22. The net worth of the company stood at Rs.30.10 crore as on 31st March 2022.

Low profitability margins due to trading nature of business along with susceptible to fluctuation in foreign exchange prices

The profitability margins of the company improved in FY22. The PBILDT & PAT margin of DRSL has improved to 9.47% & 5.95% respectively in FY22 as compared to 9.08% & 5.31% in FY21 respectively.

Fragmented and competitive nature of industry

DRSL faces stiff competition from many organized and unorganized players in the business of trading of wood pulp. Many companies easily enter into the business of trading due to low capital intensity of the business.

Key rating strengths

Long track record and experience of the promoters

The promoters have more than two decades of experience in trading of wood pulp business. The management team of DRSL is led by Mr. Raj Kumar Inani (Managing Director) and Mr. Narayan Inani (Director) who have more than two decades of experience in trading of wood pulp business. Mr. Anirudh Inani (Director) has more than one decade of experience in trading of wood pulp business along with presence of well experienced executive team. Through their experience in this industry, they have established healthy relationship with a large number of clients. Due to long term presence in the market, the promoters have good relations with suppliers and customers.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Financial risk marked by satisfactory capital structure and debt coverage indicators

Due to absence of term loans, the debt equity ratio stood nil at 31st March 2022. The overall gearing ratio improved to 0.06x as on March 31, 2022 as against 0.21x as on March 31, 2021. The debt coverage indicators marked by TD/GCA and PBILDT/interest coverage ratio stood comfortable at 0.24x and 13.89x in FY21

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology -Manufacturing Companies](#)

[Rating Methodology - Wholesale Trading](#)

About the Company

Hyderabad based, Dhanalaxmi Roto Spinners Private limited (DRSPL) was incorporated on September 11, 1987 promoted by Inani family members i.e. Mr. Raj Kumar Inani, Mr. Narayan Inani and Mr. Anirudh Inani. Later on, the constitution of the entity changed to Public Limited Company (listed in BSE) during November 1992 and the name of the company changed to current nomenclature i.e. Dhanalaxmi Roto Spinners Limited (DRSL). The company is mainly engaged in trading of Wood pulp, Paper, Waste Paper and Micro Crystalline Cellulose Powder.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022(Abridged)
Total operating income	73.54	76.25	123.19
PBILDT	3.22	6.93	11.67
PAT	1.94	4.05	7.33
Overall gearing (times)	0.19	0.22	0.06
Interest coverage (times)	6.07	9.28	13.89

A: Audited

Status of non-cooperation with previous CRA: Brickwork ratings vide its press release dated May 18, 2021 has placed ratings of Dhanalaxmi Roto Spinners Limited under "Issuer Not Cooperating" category because of lack of information.

Any other information: NA

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	1.50	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-ILC/FLC	-	-	-	-	15.00	CARE A4; ISSUER NOT COOPERATING*

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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	1.50	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (12-Aug-21)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (26-Aug-20)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (27-Aug-19)
2	Non-fund-based - ST-ILC/FLC	ST	15.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (12-Aug-21)	1)CARE A4; ISSUER NOT COOPERATING* (26-Aug-20)	1)CARE A4+; ISSUER NOT COOPERATING* (27-Aug-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-NA**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-ILC/FLC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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