

Dhanalaxmi Roto Spinners Limited

August 12, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1.50	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
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 Facilities	16.50 (Rs. Sixteen Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated August 26, 2020 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 through e-mails, phone calls and an email dated July 13, 2021 to August 02, 2021 and among others. 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 (Updated for the information available from BSE)

At the time of last rating on August 26, 2020 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.73.54 crore in FY20 to Rs.76.25 crore in FY21. The net worth of the company stood at Rs.22.17 crore as on 31st March 2021.

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 FY21. The PBILDT & PAT margin of DRSL has remained at 9.08% & 5.31% respectively in FY21 as compared to 3.84% & 2.63% in F20 respectively.

Fragmented and competitive nature of industry

DRSL is facing 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 for more than two decades 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.

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 2021. The overall gearing ratio slightly deteriorated and stood at 0.21x as on 31st March 2021. The debt coverage indicators marked by TD/GCA and PBILDT/interest coverage ratio stood comfortable at 1.10x and 9.22x in FY21

Analytical approach: Standalone

Applicable Criteria

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

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

¹Complete 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

[CARE's Policy on Default Recognition](#)
[Financial ratios – Non-Financial Sector](#)
[Rating Methodology - Wholesale Trading](#)
[Criteria for Short Term Instruments](#)

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)	FY20(A)	FY21 (Abridged)
Total operating income	73.54	76.25
PBILDT	2.83	6.92
PAT	1.94	4.05
Overall gearing (times)	0.17	0.21
Interest coverage (times)	5.34	9.22

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: 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	-	-	-	1.50	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-ILC/FLC	-	-	-	15.00	CARE A4; 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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	1.50	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (26-Aug-20)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (27-Aug-19)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (03-Aug-18)
2.	Non-fund-based - ST-ILC/FLC	ST	15.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (26-Aug-20)	1)CARE A4+; ISSUER NOT COOPERATING* (27-Aug-19)	1)CARE A4+; ISSUER NOT COOPERATING* (03-Aug-18)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument -Not Applicable

Annexure 4: 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 - ST-ILC/FLC	Simple

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. 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 nearly 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 corporate 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.

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