

Dhanalaxmi Roto Spinners Limited

June 19, 2023

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|----------------------------|------------------|--|---|
| Long Term Bank Facilities | 1.50 | CARE B+; Stable; ISSUER NOT COOPERATING* | Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable; |
| Short Term Bank Facilities | 15.00 | CARE A4; ISSUER NOT COOPERATING* | Rating continues to remain under ISSUER NOT COOPERATING category |

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE had, vide its press release dated June 08, 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 May 26, 2023 and June 02, 2023. 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).

The revision in ratings is on account of decreasing profitability margins year on year.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the company will continue to benefit from the experience of the promoters and management in the industry.

Detailed description of the key rating drivers

At the time of last rating on [June 08, 2022](#) 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.121.04 crore in FY22 to Rs.207.34 crore in FY23. The net worth of the company stood at Rs.36.36 crore as on 31st March 2023.

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

The profitability margins of the company deteriorated in FY23. The PBILDT & PAT margin of DRSL has declined to 5.03% & 3.21% respectively in FY23 as compared to 7.93% & 6.06% 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

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

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 0.01 at 31st March 2023. The overall gearing ratio improved to 0.06x as on March 31, 2023 as against 0.07x as on March 31, 2022. The debt coverage indicators marked by TD/GCA and PBILDT/interest (Interest Coverage) ratio stood comfortable at 0.30x and 13.45x in FY23.

Liquidity: Stretched

As per audited results available on BSE's website the liquidity position of the company is supported by positive cash accruals of Rs.6.96 crores and cash and liquid investments of Rs.18.16 Crore as on March 31, 2023.

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Policy on Withdrawal of Ratings](#)

[Short Term Instruments](#)

[Cotton Textile](#)

[Manufacturing Companies](#)

About the company and industry

Industry classification

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|--------------------------|----------|---------------------|------------------------|
| Consumer Discretionary | Textiles | Textiles & Apparels | Other Textile Products |

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 (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | March 31, 2023 (Abridged) |
|----------------------------|--------------------|--------------------|---------------------------|
| Total operating income | 76.25 | 121.04 | 207.34 |
| PBILDT | 6.93 | 9.60 | 10.43 |
| PAT | 4.05 | 7.33 | 6.65 |
| Overall gearing (times) | 0.22 | 0.07 | 0.06 |
| Interest coverage (times) | 9.28 | 11.40 | 13.45 |

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:

Brickwork ratings vide its press release dated June 29, 2022 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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|-----------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Cash Credit | - | - | - | - | 1.50 | CARE B+; 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 for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|--|---|---|--|--|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 |
| 1 | Fund-based - LT-Cash Credit | LT | 1.50 | CARE B+; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB-; Stable; ISSUER NOT COOPERATING* (08-Jun-22) | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (12-Aug-21) | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (26-Aug-20) |
| 2 | Non-fund-based - ST-ILC/FLC | ST | 15.00 | CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE A4; ISSUER NOT COOPERATING* (08-Jun-22) | 1)CARE A4; ISSUER NOT COOPERATING* (12-Aug-21) | 1)CARE A4; ISSUER NOT COOPERATING* (26-Aug-20) |

*Issuer did not cooperate; based on best available information.

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings 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.

Contact Us

| | |
|---|---|
| <p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ramesh Bob Asineparthi Director CARE Ratings Limited Phone: +91-040 40102030 E-mail: ramesh.bob@careedge.in</p> | <p>Analytical Contacts</p> <p>Karthik Raj K Director CARE Ratings Limited Phone: +91-80-4662-5555 E-mail: karthik.raj@careedge.in</p> <p>Y Tejeshwar Reddy Assistant Director CARE Ratings Limited Phone: +91-040 4010 2030 E-mail: Tejeshwar.Reddy@careedge.in</p> <p>Ankit Jha Management Trainee CARE Ratings Limited E-mail: Ankit.Jha@careedge.in</p> |
|---|---|

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**