

Dhan Steels Private Limited (Revised)

April 3, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	35.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Dhan Steels Private Limited (DSPL) has not provided information to carry out the surveillance exercise despite of repeated requests dated March 18, 2024, March 15, 2024, March 12, 2024 etc. and numerous follow up emails. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on DSPL's bank facilities will now be denoted as CARE B+; Stable and CARE A4; ISSUER NOT COOPERATING*

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating published on April 10, 2023; the following were the rating strengths and weaknesses:

Key weaknesses

Moderate scale of operations and thin profitability margins: Over the years, total operating income of DSPL has remained moderate and vary as per the availability of ship for cutting along with the volatility associated with steel prices. During FY22, TOI of the company stood at Rs. 28.20 crore as against Rs. 31.68 crore in FY21. The profit margins are low (average 1-3 per cent) due to low value addition, stiff competition & volatile scrap prices; further the margins are vulnerable to forex fluctuations to the extent of unhedged positions as purchase transactions are denominated in the US Dollars. The company's profitability however stood improved, with an operating profit margin at 4.36% in FY22 against operating profit margin of 2.73% FY21.

Cyclicity associated with ship breaking industry coupled with competition of global peers: The ship breaking industry is cyclical in nature as supply of old ships for recycling is inversely proportional to freight rates in the global economy. These freight rates take into account the global demand of seaborne transport and supply of new vessels which in turn depends on global merchandise trade. Better availability of old ships for recycling is ensured at the time of recession and when freight rates are low which makes it economical to dismantle the ship rather than continue to operate it. Indian ship recycling yard face intense competition from the neighbour countries like Bangladesh and Pakistan due to availability of low wage labour, lax occupational health and environment related regulations, and partial enforcement.

Exposure to Regulatory and environment hazard risk: The ship-breaking industry in the Alang-Sosiya belt of Gujarat is highly regulated with strict working and safety standards to be maintained by the ship-breakers for their labourers and environmental compliance. Furthermore, the industry is prone to risks related to pollution as it involves dismantling of ships which contain various hazardous substances like lead, asbestos, acids, hazardous paints, etc. that have to be properly disposed-off as per the regulatory guidelines.

Key strengths

Experienced promoters with a long track record of operations: DSPL is engaged in ship breaking since 1990. The operations of the company are looked after by Mr. Hanif Vadiawala, having experience of more than 18 years in the industry.

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

Location of yard at Alang which has unique geographical features suitable for ship-breaking operations: The AVSPL ship breaking yards are located at Alang-Sosiya belt, which constitutes nearly 90% of India's ship-breaking activities and it is India's largest ship-breaking cluster. The unique geographical features of the area include a high tidal range, wide continental shelf, adequate slope and a mud free coast. These conditions are ideal for a wide variety of ships to be beached easily during high tide. The cluster accommodates nearly 170 plots spread over around 10 km long stretch along the sea coast of Alang- Sosiya. Alang has been a consistent player in ship breaking and accounts for 98% of total ships recycled in India.

Liquidity: Stretched

The company's cash credit facility of Rs 3 crs was utilised at an average of ~ 1% in the last twelve months ended December 2022. For the last twelve month ended February 2023, the company has not utilised its LC limits. The current ratio stood comfortable at 9.64 times for FY22.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Wholesale Trading](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Diversified Metals	Diversified Metals

Incorporated in 1990, Dhan Steels Private Limited (DSPL) is primarily engaged in ship breaking activity at Alang, Gujarat. The company is also into trading of imported ferrous and non- ferrous metals like steel and Aluminium rod, pipe and Coil etc. The operations of DSPL are managed by Mr. Hanif Vadiawala having experience of more than 18 years in the industry.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	28.20	3.63	N/A
PBILDT	1.23	0.04	N/A
PAT	0.42	0.10	N/A
Overall gearing (times)	0.00	0.00	N/A
Interest coverage (times)	1.57	4.76	N/A

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'; N/A: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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/ST		-	-	-	35.00	CARE B+; Stable / 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/ST	LT/ST	35.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	1)CARE B+; Stable / CARE A4 (10-Apr-23)	-	-	-

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

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-LT/ST	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

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About us:

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