

## Dorset Industries Private Limited

September 25, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term / short-term bank facilities	40.00	CARE A-; Stable / CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Dorset Industries Private Limited (DIPL) continues to derive strength from the experienced, resourceful, and qualified management with long track record of operations, strong brand recognition of 'Dorset', and established marketing arrangements and customer base. Ratings also continue to take comfort from its comfortable financial risk profile characterised by sustained growth in scale of operations, improvement in profitability margins, and capital structure of the company.

However, these rating strengths continue to remain constrained by the elongated operating cycle, profitability margins susceptible to raw material price fluctuations, competition from organised and unorganised players, and stabilisation risk associated with project in subsidiary.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improving total operating income (TOI) above ₹600 crore and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 15% on a sustained basis.
- Improving capital structure as reflected by overall gearing below 0.75x on a sustained basis.

#### Negative factors

- Increasing inventory period for more than 80 days leading to further elongation in the operating cycle and dependence on working capital borrowings on a sustained basis.
- Significantly deteriorating capital structure due to increased working capital dependence and/or higher-than-envisaged debt-funded capex on a sustained basis.

### Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has taken consolidated approach for ratings of DIPL with its wholly owned subsidiary, Dorset Smart Technologies Private Limited (DSTPL). The company and its subsidiary is engaged in manufacturing and distributing architectural hardware systems and controlled and managed by common management.

### Outlook: Stable

The "Stable" outlook reflects CARE Ratings' opinion that the company would continue to benefit from its experienced promoters and established brand name, 'Dorset'.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced, resourceful, and qualified management with long track record of operations

DIPL is being promoted by Rajesh Bansal, founder Chairman and Managing Director of the Dorset Group since 1995. He is an SRCC graduate and FMS alumnus, and directly oversees Dorset's user, product, engagement and revenue growth strategy across all applications at Dorset. His sons, Saurabh Bansal and Takshay Bansal, are the joint managing directors of the company. Saurabh Bansal heads the Strategic Marketing Group (SMC) of the company and is responsible for the marketing initiatives of the Group. Takshay is the head of the Strategic Operations Group (SOG) at Dorset, supervising the company's manufacturing and developmental initiatives. They are ably supported by an experienced management team comprising professionals having considerable and relevant experience in important business functions such as finance, marketing, production, and technology among others.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Strong brand recognition**

Dorset group has been in the architectural hardware business for more than two and a half decades and has an established brand image of “Dorset” in the Indian market. The group has successfully leveraged its brand equity in the Indian market. In September 2019, DIPL entered partnership with Samet A.S., one of the established brands of Turkey in furniture accessories, founded in 1973, manufacturing over 3000 products with over four decades of experience. DIPL has set up a separate vertical for the new range of products including Hinge System, Drawer System, Lift Up door System, Sliding Door System and Accessory, and Fitting Systems to be sold under “Dorset Samet” brand in India. Through this partnership, Dorset aims to leverage the brand recognition and Samet’s expertise in pre-sales guidance, consultancy, and project design specifications and advanced technology efficiently in the Indian market.

**Established marketing arrangement and customer base**

DIPL has a diversified product portfolio as it manufactures a wide range of locks and security systems, architectural hardware, digital solutions and furniture and kitchen hardware, catering to the need of diverse clientele ranging from hospitality to major realty players. The company is certified as ISO 9001-2015, OHSAS 18001-2008, ISO 14001-2008, and is also being awarded quality certificates by Ministry of Micro, Small and Medium Enterprises and Quality Council of India. DIPL has an established marketing and selling department. The promoters have been in the industry for more than two decades and have since established strong relationship with their customers due to strong brand reputation as well. DIPL has an established selling arrangement in the form of channel distribution, institutional sales, and exports. DIPL has different customer profile in each segment with no single client contributing large proportion of the company’s total sales. Raw materials for DIPL are primarily metals such as zinc, brass, stainless steel pipes, components including screws and keys among others, and packing material, including corrugated boxes, and stickers among others. These are majorly sourced domestically with only 3-4% proportion being imported from countries such as Vietnam, Malaysia, and other Southeast Asian countries.

**Comfortable financial risk profile**

DIPL’s scale of operations at consolidated level has grown by 6.63% to ₹444.81 crore in FY24 (Provisional, refers to April 01 to March 31) as compared to ₹417.16 crore in FY23 (Audited, refers to April 01 to March 31). The year-on-year growth is majorly aided by strong brand image and established distribution network of the Dorset Group. The company purchases certain specialised components such as door accessories, hinges, kitchen hardware, and electronic safety boxes among others, which will be now manufactured in DSTPL and manufactures other goods such as locks, handles, springer’s, door closers among others.

The company’s profitability margins continue to remain moderate and have improved in FY24 as reflected by PBILDT margin and profit after tax (PAT) margin of 14.48% (PY: 13.35%) and 8.93% (PY: 5.49%). Therefore, due to rise in absolute PBILDT owing to improvement in PBILDT margins, interest coverage indicator has also improved as reflected by interest coverage ratio of 11.93x in FY24 from 10.96x in FY23. However, there has been slight decline in profitability margins in 4MFY25 (Provisional, refers to April 01 to July 31) as the company has increased its branding and promotional expenses, which includes sponsorship of KBC and other television advisement for which major chunk of expenses is already booked till July 2024. However, with improving scale of operations and lower promotional expenses going forward, the company expects profitability margins will be in line of FY24 levels.

**Moderate capital structure**

The company’s capital structure continues to remain moderate and improved in FY24 as reflected by the long-term debt to equity ratio and overall gearing ratio of 0.69x (PY: 0.78x) and 1.34x (2.39x), respectively, as on March 31, 2024. The improvement was majorly due to accretion of profits to net worth, whereas overall debt level remains in similar line. The group does not utilise working capital limits for meeting their working capital requirement which is entirely funded through own funds infused in the form of unsecured loans/preference shares by promoters. Going forward, the group is not planning to avail external debt to fund their operations as they have already completed their project in DSTPL, and capital structure is expected to improve with repayment of scheduled debts. The group is generating healthy profitability leading to total debt (including promoter loan and preference shares) to PBILDT at 1.66x as on March 31, 2024 (PY: 1.80x).

**Key weaknesses****Elongation in operating cycle**

The company’s operating cycle remains elongated at 113 days as on March 31, 2024, against 100 days as on March 31, 2023. Elongation in operating cycle was majorly considering higher inventory days of 83 days in FY24 (PY: 74 days) followed by average collection period of 68 days in FY24 (PY: 62 days). The company is required to maintain large inventory raw materials considering its vast product range and finished goods to be maintained to meet demand from customers on time. In general, the company extends credit period of around 75 days to channel partners and around 90 days for both institutional and export sales. On supplier side, the company also gets credit period which varies between 40 and 50 days on an average. The company’s working capital requirements is largely funded by the internal accruals and funds brought in by promoters and barely utilising bank lines, providing enough liquidity cushion for smooth flow of operations.

### Competition from organised and unorganised players

The architectural hardware industry including the locks, security systems, furniture, and kitchen hardware industry is dominated by few organised players, which have strong brand image in the market and thus command major market share of the industry. Moreover, the industry is highly fragmented with huge number of unorganised and small players having 70% of market share, which leads to intense competition and pricing pressure. However, the brand recognition of Dorset and continuous innovation, adoption of new technology, introduction of new verticals and business associations with global leaders of the industry help DIPL provide product differentiation and diversification to its consumers and thus combat competition in the industry.

### Profitability margins susceptible to raw material price fluctuations

Metals such as brass, zinc, copper, stainless steel among others are DIPL's key raw materials. The raw material prices have shown a volatile trend over the years and adverse movements in their prices may impact the company's margins. DIPL manages the price volatility to some extent by carrying out periodic revisions in the prices of its products to the effect of the raw material price changes depending on the prices being offered by the competitors. Going forward, DIPL's ability to manage the raw material risk and pass on the impact to the customers would be crucial for maintaining its profitability.

### Stabilisation risk associated with ongoing project in subsidiary

DSTPL, a fully owned subsidiary of DIPL, was incorporated on May 13, 2022, with the view to manufacture furniture and kitchen hardware products which include drawer slides and other architectural hardware such as door handles and locks among others in the Union Territory of Jammu & Kashmir, under the 'NEW CENTRAL SECTOR SCHEME FOR INDUSTRIAL DEVELOPMENT OF UT OF J&K' issued by Govt. of India Ministry of Commerce & Industry Department for Promotion of Industry & Internal Trade. There is limited risk as DIPL is already importing and trading these products. In FY24, the company has already traded these products worth of ₹~35 crore in FY24. The project is already completed with total cost of ₹52.16 crore funded through term loan of ₹41.17 crore and remaining through internal accruals infused by DIPL in the form of equity and USL. Commercial production of the project is also achieved from March 14, 2024, and now plant is being operational at full capacity with monthly revenue of around ₹3.50 crore from September 2024 onwards.

### Liquidity: Adequate

The company has earned gross cash accruals (GCA) of ₹~48 crore in FY24 and is expected to generate GCA of around ₹~72 crore in FY25 at consolidated level, whereas repayment of term loan will start after expiry of two years of moratorium, from FY27 onwards. The group also has cash and cash equivalents of ₹11.46 crore as on March 31, 2024 (PY: ₹6.59 crore). The current and quick ratio stood at 1.63x and 0.94x, as on March 31, 2024, respectively, as compared to 1.42x and 0.75x, respectively, as on March 31, 2023. There is no utilisation of working capital limits throughout and entire working capital requirement is funded through internal accruals.

**Assumptions/Covenants:** Not applicable

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

### Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Diversified	Diversified	Diversified	Diversified

Incorporated in 1995, Dorset Group is into manufacturing and distributing architectural hardware systems including a diverse portfolio of offerings such as door accessories, locks and security systems, digital door, furniture and kitchen hardware, catering to a wide based clientele ranging from hospitality to major realty players and other sectors. Incorporated in December 2017, DIPL is engaged in manufacturing and trading of door wares, locking mechanism, glass fixtures, and fittings of all sorts. It is promoted

by Rajesh Bansal, founder Chairman and Managing Director of the Dorset Group. His sons, Saurabh Bansal and Takshay Bansal are the joint managing directors. Saurabh Bansal heads the Strategic Marketing Group (SMC), while Takshay Bansal is the head of the Strategic Operations Group (SOG) at Dorset. The company has one manufacturing unit at Binola, Haryana. Prior to 2017, DIPL operated as Dorset Kaba Security Systems Pvt. Ltd. (DKSSPL), whereby Dorset Group formed a joint venture (JV) in 2007 Kaba Holdings AG (now Dormakaba Holdings AG), a global leader in access control, enterprise data collection and key systems, headquartered in Switzerland. However, in December 2017, the JV partners agreed to dissolve DKSSPL and DIPL, the now flagship company of the Dorset Group, entered Business Transfer Agreement (BTA) with DKSSPL for purchase of the business on April 9, 2018.

Brief Financials (₹ crore)*	March 31,2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)	July 31,2024 (UA)
Total operating income	312.26	417.16	444.81	152.16
PBILDT	39.41	55.70	64.41	9.86
PAT	11.22	22.90	39.74	2.01
Overall gearing (times)	5.63	2.39	1.34	NA
Interest coverage (times)	7.86	10.96	11.93	3.47

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results

\*Consolidated financials

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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 and Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	40.00	CARE A-; Stable / CARE A2+

#### Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based/Non-fund-based-LT/ST	LT/ST	40.00	CARE A-; Stable / CARE A2+	-	1)CARE A-; Stable / CARE A2+ (04-Sep-23)	1)CARE BBB+; Stable / CARE A2 (01-Sep-22)	1)CARE BBB; Positive / CARE A3 (07-Jan-22)

LT/ST: Long term/Short term

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

**Annexure-4: Complexity level of instruments rated**

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

**Annexure-5: Lender details**

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

**Annexure-6: List of entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Dorset Smart Technologies Private Limited	Full	Wholly owned subsidiary.

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

### Contact us

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#### About us:

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#### Disclaimer:

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