Dantal Hydraulics Private Limited

February 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	8.00 (Enhanced from 5.00)	CARE A; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	22.00 (Reduced from 25.00)	CARE A; Stable / CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Dantal Hydraulics Private Limited (DHPL) continue to derive strength from its strong financial risk profile marked by negligible debt against healthy net-worth base. Further, the ratings continue to derive comfort from the experienced promoters, long track record of company's operations, wide application of the products with sales across diversified industries and reputed customer base coupled with its position as Defence Research and Development Organisation (DRDO)'s approved supplier, and moderate operating cycle. However, these rating strengths are partly offset by concentrated customer base, susceptibility to raw material price and forex fluctuation risk, and competitive and cyclical nature of industry. The ratings takes cognizance of moderation in profitability margins of the company though the scale of operations remained at similar level in FY24 (refers to the period from April 01, 2023 to March 31, 2024).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations, as marked by total operating income (TOI) above Rs.800 crore, along with improvement in profitability margins, as marked by PBILDT (profit before interest, lease rentals, depreciation, and taxation) margin above 18% on a sustained basis.

Negative factors

- Significant decline in scale of operations and/or sustained decline in PBILDT margin below current levels.
- Substantial reduction in the liquidity net of debt.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that DHPL shall sustain its comfortable financial risk profile over medium term.

Detailed description of the key rating drivers

Key strengths

Stable scale of operations

During FY24, the scale of operations of the company remained stable as marked by total operating income of Rs.533.99 crore (PY: Rs.512.34 crore). However, PBILDT margin moderated to 15.20% in FY24 from 22.35% in FY23 owing to various reasons including decline in export sales, sales to defence sector and sales of products - manifold block assembly, which generally fetch better margins for the company. Further, during 9MFY25 (refers to period from April 01, 2024, to December 31, 2024), the total operating income stood stable at Rs.392 crore (PY: Rs.395 crore). However, the PBILDT and PAT margin continued to remain healthy at 14.36% and 9.10% respectively. Going forward, CARE Ratings expects the PBILDT margin to remain in the range of ~15%-16%.

Strong financial risk profile

The company's financial risk profile continues to remain comfortable, marked by strong tangible net worth as against miniscule debt in the form of working capital borrowings. Consequently, overall gearing ratio remained low at 0.02x as on March 31, 2024 (PY: 0.01x). Debt coverage indicators also stood comfortable marked by interest coverage and total debt to gross cash accruals (TD/GCA) of 41.94x (PY: 243.99x) and 0.10x (PY: 0.04x) in FY24 respectively.

Experienced promoters and long track record of operations

DHPL, promoted by Mr. Sanjay Talwar, has a track record of around three decades in manufacturing of hydraulic products and components. He is a science graduate having Bachelor of Engineering (B.E.) degree from Delhi College of Engineering and also, he has a vast industry experience.

Wide application of products across diversified industries coupled with its position as DRDO's approved supplier for defence equipment

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

DHPL is one of the leading manufacturer of hydraulic cylinders, hydraulic systems, aircraft service trolleys, multilevel car parking systems, winches, and other related hydraulics and electronic components. The company's products find application across the industries such as agriculture, construction, defence, among others The wide range of application of its products provides the advantage of diversification in the event of downturn in a particular industry. It also manufactures hydraulic systems for Indian army, Indian air force and India navy as per directions and specification given by the authorities. The products manufactured by company includes ground support equipment for Indian air force and bridge laying equipment for Indian army. Revenue from this segment contributes ~10%-20% of the total revenues. This long-term and close relationship with its customers is reflective of company's demonstrated ability to provide quality products.

Reputed albeit concentrated customer base

DHPL's customer base consists of companies such as JCB Limited, Escorts Kubota Limited, Larsen & Toubro, Action Construction Equipment, Mahindra and Mahindra (CARE AAA, Stable), Indian Air force, Indian Navel, Hindustan Aeronautics Limited (CARE AAA, Stable), etc. However, the customer base is currently concentrated with top 5 customers accounting for ~70% of TOI in FY24 (PY: ~45%). This exposes the company's revenue growth and profitability to its customer's future growth plans.

Moderate operating cycle

The company has to offer reasonable credit period to its customers as majority of them are Original Equipment Manufacturers (OEMs) and large size players which possess high bargaining power as compared to DHPL. The average collection period of the company however, improved to 40 days in FY24 (PY: 49 days) owing to company's efforts towards a more stringent collection policy. Further, it is required to maintain adequate inventory of raw material for smooth running of production processes with average inventory period stood at 37 days in FY24 (PY: 43 days). The creditor period stood at 31 days (PY: 40 days). Hence, the overall operating cycle of the company remained moderate at 45 days in FY24 (PY: 53 days).

Key weaknesses

Susceptibility to raw material price and foreign exchange (forex) fluctuation

The raw material cost accounts for ~60%-65% of total cost of sales for DHPL. The major raw material is steel. Any volatility in its prices exposes the company to price fluctuation risk. The company is not able to fully pass on the volatility in raw material prices to the customers on timely basis and therefore, it may affect the profitability margins of the company. Further, DHPL derived ~20% of its sales from exports and imported ~18% of its total raw material requirement. Therefore, the company is exposed to foreign exchange fluctuation risk, which is however, naturally hedged to some extent. In FY24, the company has reported forex fluctuation gain of Rs.1.28 crore (PY: Rs.0.91 crore).

Competitive and cyclical nature of industry

Company primarily caters to manufacturers of construction equipment and other off-road machineries. Construction equipment industry is cyclical in nature and growth is dependent upon investment in the infrastructure segment. Further, the industry is competitive with the presence of a large number of players in the organized as well as unorganized sector which can impact the margins of the company.

Liquidity: Adequate

Company's liquidity profile continues to remain adequate with nil term loan repayment in FY25 as against projected gross cash accruals of ~Rs.65 crore. Further, the average utilization of working capital borrowings against sanctioned limit of Rs.8 crore stood on low at ~20% for the trailing 12 months ended December 31, 2024. On the capex front, the company is planning to incur ~Rs.100 crore in FY25, majorly towards setting up of new plant in Gheeloth, Alwar, Rajasthan for backward integration; upgradation and regular maintenance of plant and machinery and for purchase of existing Bengaluru plant which is running on lease. The entire capex planned in FY25 shall be funded from internal cash accruals and liquidity available with the company.

Applicable criteria

Definition of Default
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Short Term Instruments
Auto Components & Equipments

About the company and industry
Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

DHPL is a leading manufacturer of hydraulic cylinders, hydraulic systems, winches and other related hydraulics and electronic components such as axles, actuator, manifold etc. for wide range of applications in agriculture machinery – harvester combines, tractors, tractor attachments etc.; in material handling – pick and carry Cranes, forklifts, stackers etc; and transport hydraulics – garbage compactors, dumper placers, car carriers, tipping, etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA) *
Total operating income	512.34	533.99	392.13
PBILDT	114.53	81.16	56.31
PAT	75.13	53.58	35.67
Overall gearing (times)	0.01	0.02	0.06
Interest coverage (times)	243.99	41.94	49.39

A: Audited, UA: Unaudited, Note: 'the above results are latest financial results available'.
*refers to the period from April 01, 2024, to December 31, 2024.

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 - LT-Cash Credit		-	-	-	8.00	CARE A; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	22.00	CARE A; Stable / CARE A1

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 - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (06-Feb-23)	1)CARE A-; Stable (17-Mar-22)
2	Fund-based - LT-Cash Credit	LT	8.00	CARE A; Stable	-	1)CARE A; Stable (14-Feb-24)	1)CARE A-; Positive (06-Feb-23)	1)CARE A-; Stable (17-Mar-22)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	22.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (14-Feb-24)	1)CARE A-; Positive / CARE A2+ (06-Feb-23)	1)CARE A-; Stable / CARE A2+ (17-Mar-22)
4	Non-fund-based - ST-Letter of credit	ST	-	-	-	1)Withdrawn (14-Feb-24)	1)CARE A2+ (06-Feb-23)	1)CARE A2+ (17-Mar-22)

LT: Long term; ST: Short term; 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 - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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 for clarifications.

Contact us

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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.

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