

## D & H India Limited

March 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	21.56	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	3.50	CARE A4+; ISSUER NOT COOPERATING*	Rating moved to 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

D & H India Limited (DHIL) has not paid the fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on DHIL's bank facilities will now be denoted as CARE BB+;Stable/ 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.**

The ratings take into account moderate but increasing scale of operation along with moderate and fluctuating profitability margins, moderation in capital structure and debt coverage indicators, working capital-intensive nature of operations, presence in competitive and fragmented industry, significant experience of the management along with long track record of the company, reputed customer profile, comprehensive sales and distribution network.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of key rating drivers:

At the time of last rating on March 08, 2024, the following were the rating strengths and weaknesses (updated for the information available from stock exchange)

#### Increasing but moderate scale of operation

The TOI of the company has increased by 13.87% to Rs. 157.82 crore in FY24 against Rs.138.60 crore in FY23. Further, the company has achieved total income of Rs. 149.98 in 9MFY25 as compared to Rs. 111.70 in 9MFY24 witnessing a growth of 34.27%. Despite the long track record of operation, the scale of operation of DHIL have remains moderate which limits its financial flexibility to meet any exigency.

#### Moderate and fluctuating profitability margins due to volatile raw material prices

The profitability margins of the company remained moderate. The PBILDT margin has slightly declined to 6.36% in FY24 as compared to 6.76% in FY23 owing to an increase in raw material cost and employee expenses. Also, the margins vary on the end user industry application as there are various grades of products with difference in pricing as raw material used for the same also varies. The PAT margin, however, declined to 1.72% in FY24 as compared to 3.01% in FY23 owing to increased depreciation, interest cost and deferred tax. Furthermore, DHIL has booked PBILDT margin of 6.70% and PAT margin of 2.09% during 9MFY25 compared to PBILDT margin of 6.32% and PAT margin of 2.22% during 9MFY24. The margins have declined marginally owing to reasons mentioned above.

#### Working capital-intensive nature of operations

DHIL's operations remain working capital intensive mainly on account of funds being blocked in inventory. With a diversified product portfolio, the company is required to maintain a high level of inventory for continuous operations leading to average inventory period stood at 65 days in FY24 (77 days in FY23). The total operating cycle of the company increased to 98 days in FY24 as compared to 91 days in FY23 owing to an increase in collection period from 50 days in FY23 to 60 days in FY24 and decrease in creditors' period from 36 days in FY23 to 27 days in FY24. However, the same has been partially offset by a decreased inventory period from 77 days in FY23 to 65 days in FY24.

<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.

### **Moderation in capital structure debt coverage indicators**

The capital structure of DHIL moderated with an overall gearing of 1.08 times as on March 31, 2024 as compared to 0.76 times as on March 31, 2023. The same has deteriorated owing to increase in total debt. Due to increased total debt, the debt coverage indicators deteriorated with total debt/GCA at 7.55x as on March 31, 2024 (PY: 4.44) and interest coverage ratio at 3.36x in FY24 (PY: 4.52x).

### **Presence in competitive and fragmented industry**

The welding consumables industry is highly fragmented due to the presence of a large number of organised and unorganised players. The industry is characterised by minimal entry barriers, leading to an intense competition from both regional small-scale and some established players. The stiff competition in the industry limits the pricing flexibility of the industry participants, including DHIL, thus affecting the profitability margins.

### **Key strengths**

#### **Well-established track record and extensive experience of the promoters in the industry**

DHIL has been engaged in manufacturing of welding consumables for more than three decades which has enabled to develop established relations with reputed customers and suppliers and entail repeat orders from them. The promoter, Mr. Harsh Kumar Vora has a vast experience of more than three decades of experience in the business. He is supported by his son, Mr. Saurabh Vora and a qualified team of professionals with significant experience in their respective fields.

#### **Diversified customer profile with reputed clientele**

DHIL has a well-diversified and reputed customer base. With over three decades of operations in the industry, the promoters have developed long-standing & established relationship with its reputed clientele in various sectors across India, enabling DHIL to receive repetitive orders. DHIL offers a wide range of welding consumables for diverse applications in industries like Steel, Shipbuilding, Petrochemical, Construction, Transport, Energy and many more. DHIL receives orders from both private and government organizations through a tender bidding process. The top ten customers contributed 34.66% of its net sales in FY23 as compared to 41.74% in FY22.

#### **Well-diversified product portfolio supported by comprehensive sales and distribution network**

DHIL offers comprehensive and advance range of products for all major industrial sectors. DHIL has a robust product profile with more than 800 electrode variants. Most of its products are approved from reputed engineering consultants and are certified by leading national / international inspection agencies such as Lloyd's Register of Shipping (LRS), American Bureau of Shipping (ABS), Bureau Veritas (BV), Det Norske Veritas (DNV), Bharat Heavy Electricals Ltd. (BHEL), DGQA (Defence Establishment) and many more.

DHIL has an established dealership network of nearly 150 dealers across India. As a variety of welding consumables are used in different industries, DHIL benefits from a wide product portfolio and a comprehensive distributor network.

**Assumptions/Covenants:** Not applicable

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

### **Applicable criteria**

[Information Adequacy Risk and Issuer Non-Cooperation](#)

[Policy on Default Recognition](#)

[Financial Ratios – Non financial Sector](#)

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Rating of Short Term Instruments](#)

[Manufacturing Companies](#)

### **About the company and industry**

#### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

D & H India Limited (DHIL) was incorporated as a private limited company on March 30, 1985, and was converted into a public limited company on August 24, 1993 by late Mr. H. H. Melwani. The promoter, Mr. Harsh Kumar Vora has a vast experience of more than three decades of experience in the business. DHIL's shares are listed on the Bombay Stock Exchange since 1994.

DHIL is engaged in the manufacturing of a wide range of welding consumables namely electrodes, manual metal arc electrodes, submerged arc welding flux & wires, CO2 welding wires, flux cored wires and a range of special purpose welding consumables & stainless-steel wires. These have applications in industries like infrastructure, thermal power plants, steel, shipbuilding, metal,

cement and many more. DHIL has three manufacturing plants located at Indore, Ghatabilloid and Chhattisgarh. DHIL has received ISO 9001-2008 certification for quality standards for all its manufacturing plants.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	138.60	157.82	149.98
PBILDT	9.37	10.04	10.05
PAT	4.18	2.72	3.13
Overall gearing (times)	0.76	1.08	NA
Interest coverage (times)	4.52	3.36	3.08

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

**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		-	-	-	13.50	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	07-Apr-2030	8.06	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	3.50	CARE A4+; ISSUER NOT COOPERATING*

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

**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	8.06	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (08-Mar-24)	1)CARE BB+; Stable (20-Jan-23)	-
2	Fund-based - LT-Cash Credit	LT	13.50	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (08-Mar-24)	1)CARE BB+; Stable (20-Jan-23)	-
3	Non-fund-based - ST-BG/LC	ST	3.50	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+ (08-Mar-24)	1)CARE A4+ (20-Jan-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 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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - 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](mailto:care@careedge.in) for clarifications.

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### About us:

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### Disclaimer:

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