

## DHCUBE Industries Private Limited

May 23, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	8.87	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	17.00	CARE BB; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of DHCUBE Industries Private Limited (DIPL) are constrained by its modest scale of operations, moderate profitability, leveraged capital structure as well as weak debt coverage indicators, susceptibility of profitability to fluctuations in raw material prices, project execution as well as stabilization risk and stretched liquidity.

The ratings, however, derive strength from DIPL's experienced promoters, reputed customer base albeit high customer concentration and good growth prospects for its end-use transformer industry.

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

#### Positive factors

- Growth in DIPL's orderbook along with significant increase in scale of operations above Rs. 80 crore while maintaining its PBILDT margin.
- Improvement in capital structure with overall gearing below 2.00 times along with improvement in debt coverage indicators.

#### Negative factors

- Significant moderation in scale of operations and/or dip in PBILDT margin on sustained basis.
- Significant increase in working capital intensity or debt-funded capex leading to deterioration in overall gearing above 2.50x along with moderation in debt coverage indicators.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the company shall continue to benefit from its experienced promoters, and long-standing relationship with reputed clientele.

### Detailed description of key rating drivers

#### Key weaknesses

##### Modest scale of operations with moderate profitability

DIPL's Total Operating Income (TOI) grew at a compounded annual growth rate (CAGR) of 11.11% in last 5 years ended FY25 and remained modest at Rs.63.76 crore in FY25 (Provisional). Going forward, scale of operations is expected to grow on account of moderate order book on hand. DIPL had order book of more than Rs.80 crore on hand as on April 30, 2025.

The operating profitability remained largely in the range of 5-9% in the past three years ended FY25. It improved to 9.38% during FY25 on account of moderation in raw material prices and lower employee costs along with improvement in sales realization.

##### Highly leveraged capital structure and weak debt coverage indicators

The capital structure of DIPL stood leveraged, marked by an overall gearing of 2.22x as on March, 31, 2025 (2.68x as on March, 31, 2024) with high reliance on external debt and modest networth base of Rs.10.37 crore. Further, debt coverage indicators were also weak, marked by PBILDT interest coverage of 1.99x in FY25 (PY: 1.59x) and high total debt to GCA (TD/GCA) of 7.54x in FY25 (PY: 11.32x).

##### Project execution and stabilization risk

DIPL is currently setting-up a new manufacturing unit for manufacturing radiators which is expected to be completed by September 2025. The total project cost is estimated around Rs. 10.55 crore funded through term loan of Rs. 6.35 crore and

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

remaining through internal accruals / unsecured loans from promoters. Going forward, project completion within envisaged time and cost parameters as well as stabilization shall be key rating monitorable.

#### **Profitability susceptible to fluctuation in raw material prices**

DIPL is exposed to raw material price volatility risk due to volatility in the price of steel products depending on the demand supply gap. Raw materials such as steel and iron constitute a major component of total cost of production; hence profitability margins are susceptible to fluctuation in the raw material prices.

#### **Key strengths**

##### **Experienced promoters with established track record of operations**

DIPL is promoted by Mr. Darshan Gorasia, Managing Director, and Mr. Vinodchandra Patel, executive Director. Both the promoters have more than 20 years of industry experience.

##### **Reputed customer base albeit high customer concentration**

DIPL supplies transformer tanks to major reputed customers in the industry such as Transformers & Rectifiers (India) Ltd., Bharat Heavy Electrical Ltd, Adani Green Energy Limited, Adani Hazira Port Limited, Tata Chemical Limited among others. In FY25, the top three customers contributed 64% of the total operating income (TOI) indicating high customer concentration. Additionally, top 10 customers accounted for 94% of DIPL's TOI in FY25 (90% in FY24).

#### **Liquidity: Stretched**

DIPL's liquidity position stood stretched, marked by moderate gross cash accruals against debt repayment of Rs. 2-3 crore during the next three years. The average fund-based working capital utilization remained high at around 93% during the past twelve months ended March 31, 2025 and cash and bank balance remained low at Rs. 0.78 crores as on March 31, 2025. Operating cycle was moderate at 79 days with inventory holding period of around 90 days in FY25.

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

#### **Applicable criteria**

[Definition of Default](#)

[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
Industrials	Capital Goods	Industrial Manufacturing	Industrial Products

DHCube Industries Private Limited (DIPL), based in Ahmedabad, Gujarat, was founded on April 17, 2018, by Mr. Darshan Gorasia, Mr Hari Pankej Nair and Mr. Vinod Chandra Patel. The company manufactures transformers and has manufacturing facilities in Kheda, Gujarat. With 20 years of experience in the engineering industry, DIPL also engages in fabricating pressure vessels, electrical transformer tanks, piping work, structural fabrication, and turnkey projects.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (P)
Total operating income	65.20	63.76
PBILDT	3.37	5.98
PAT	0.66	1.86
Overall gearing (times)	2.68	2.22
Interest coverage (times)	1.59	1.99

A: Audited P: Provisional; Note: these are latest available financial results

#### **Status of non-cooperation with previous CRA: 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-03-2038	8.87	CARE BB; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	5.00	CARE BB; Stable / CARE A4
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	12.00	CARE BB; Stable / CARE A4

#### 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 2025-2026	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
1	Fund-based - LT/ ST-Cash Credit	LT/ST	5.00	CARE BB; Stable / CARE A4				
2	Fund-based - LT-Term Loan	LT	8.87	CARE BB; Stable				
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	12.00	CARE BB; Stable / CARE A4				

LT: Long 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-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	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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