

## Dakshin Exports

March 30, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	24.60	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
<b>Total Bank Facilities</b>	<b>24.60</b> <b>(Rs. Twenty-Four Crore and Sixty Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Dakshin Exports (DE) continues to be constrained by moderate scale of operations, weak debt coverage indicators, capital withdrawal risk associated with partnership nature of business. However, the rating derives benefits from comfortable capital structure and long track record of operations with vast experience of the promoters in granite industry.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Consistent increase in firm's scale of operations above Rs. 60 crores while maintaining PBILDT margin above 8% on sustained basis.
- Increase in interest coverage above 3.00x and total debt to cash accruals below 6.00x.

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any decrease in scale of operations along with decline in profitability margin with PBILDT margin falling below 6%.
- Any elongation in working capital cycle to above 150 days.

### Detailed description of the key rating drivers

#### Key Rating Weakness

##### Moderate scale of operations with decline in total operating income

The firm has reported decline in total operating income by 36% to Rs. 25.82 crore in FY21 (refers to period April 01 to March 31) as against Rs. 40.07 crore in FY20 on account of slow movement of goods following covid pandemic. During FY21, the sales of rough granite blocks and polished granite monuments has decreased by 44% and 19% respectively whereas the polished granite slabs has increased by 154% compared to previous fiscal.

#### Weak debt coverage indicators

The debt coverage indicators of the firm continued to remain weak marked by TD/GCA at in 30.72x as on March 31, 2021 (PY: 19.93x) in FY20 due to thin accruals on account of trading nature of operations.

#### Elongated operating cycle leads to working capital intensive nature of operations

Considering the nature of business, DE must hold sufficient inventory to meet its demand from customers. Due to limited availability and high demand in market for rough granite blocks, the firm must procure rough blocks from quarry and must stock in huge quantity by paying 100% of amount in advance to suppliers. However, the inventory holding period has decreased from 180 days in FY20 to 148 days in FY21 as the finished goods and stock in trade reduced backed by pickup of demand from export market. The firm was also able to get extended credit terms from suppliers due to covid pandemic and the overall operating cycle decreased to 99 days in FY21 from 149 days in FY20 DE's 10% of customers are backed by letter of credit and the firm receives 50% as advance from new customers and for remaining payment and existing customers; the firm allows credit period up to 30-40 days. The firm reliance on working capital stood high and the average utilisation stood up to 85% for last twelve months ended February 2022.

#### Partnership nature of business constitution with inherent risk of withdrawal of capital

Partnership nature of business has an inherent risk of withdrawal of capital by the partners at the time of their personal contingencies resulting in reduction of capital base leading to adverse effect on capital structure. The partners had withdrawn the capital for personal contingencies to the extent of Rs.3.15 crore in FY21.

### Key Rating Strengths

#### Long track record of operations with vast experience of the promoters in granite industry

Dakshin Exports (DE) was promoted by Mr. Rajendra Babu, managing partner who was qualified in M.A., M.Phil. and Ms. Vinitha, Partner who was qualified in B.Sc.; both the partners have vast experience in granite industry for more than two decades. The firm has a track record of more than two decades in trading of granite blocks and slabs and manufacturing of granite monuments.

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

The long track record of operations enabled the firm to maintain established relationship with customers in geographies such as China, Italy, Poland, Germany etc.

### Comfortable Capital structure

The capital structure remained comfortable marked by overall gearing at 1.48x as of March 31, 2021, albeit declined from 1.31x as of March 31, 2020, due to withdrawal of capital funds.

### Liquidity: Stretched

Liquidity is marked by tightly matched accruals to repay its term debt obligations and cash balance of Rs 2.00 crore as of March 31, 2021 (Prov.) Considering the nature of business, DE must hold sufficient inventory to meet its demand from customers. The inventory days stood high at 48 days (PY: 180 days) in FY21. The firm has been sanctioned with packing credit of Rs. 24.60 crore and the firm has utilised an average of 85% of its working capital for past twelve months ended February 2022. The firm had availed covid emergency loans of Rs.4 crores in FY21.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios - Financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Wholesale Trading](#)

### About the Firm

Dakshin Exports (DE) was established in October 1996 by Mr. Rajendra Babu and Mrs. Vinitha in Chennai, Tamil Nadu. The firm is mainly engaged in trading (80%) of rough granite blocks and slabs and manufactures granite monuments (20%) as per customer requirement. DE procures the rough granite blocks from quarry located at Andhra Pradesh and Telangana on tender basis. The firm exports (100%) the granite blocks, slabs and granite monuments to the customers located at China, Taiwan, Italy, Germany, and Poland. The firm has manufacturing unit and stockyard located at Tiruvallur Dist., Tamil Nadu. The firm has an installed capacity to produce 60 containers per annum for granite monuments that is manufactured in house and exported majorly to Europe countries.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (P)	11mFY22 (P)
Total operating income	40.07	25.82	40.00
PBILDT	2.72	2.04	NA
PAT	0.84	0.37	NA
Overall gearing (times)	1.31	1.48	NA
Interest coverage (times)	1.80	1.83	NA

A: Audited; Prov: Provisional; NA- Not Available

### Status of non-cooperation with previous CRA:

CRISIL has conducted the review on the basis of best available information and has classified the DE as "Not cooperating" vide its press release dated April 30, 2021.

**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 for this company:** Annexure 4

### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Packing Credit in Foreign Currency		-	-	-	24.60	CARE BB-; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Packing Credit in Foreign Currency	LT	24.60	CARE BB-; Stable	-	1)CARE BB-; Stable (30-Mar-21)	1)CARE BB-; Stable (13-Mar-20)	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities** Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Packing Credit in Foreign Currency	Simple

**Annexure 5: Bank Lender Details for this Company**

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

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. 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.

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