

Dhanalaxmi Roto Spinners Limited

August 26, 2020

Rating's

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1.50	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*) on the basis of best available information
Short Term Bank Facilities	15.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*) on the basis of best available information
Total Facilities	16.50 (Rs. Sixteen Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated August 27, 2019, placed the rating(s) of Dhanalaxmi Roto Spinners Limited (DRSL) under the 'Issuer non-cooperating' category as DRSL had failed to provide information for monitoring of the rating. DRSL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and emails from October 2019 to August 11, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

(Updated for the information available from BSE)

The revision in the ratings takes into account decline in total operating income and decrease in profit levels during FY19. The rating continues to be tempered by Modest scale of operations, Low profitability margins due to trading nature of business along with susceptible to fluctuation in foreign exchange prices and Fragmented and competitive nature of industry. The ratings however underpinned by Long track record and experience of the promoters for more than two decades in trading of wood pulp business, comfortable capital structure, debt coverage indicators and operating cycle.

Detailed description of the key rating drivers

Key Rating weakness

Modest scale of operations and decrease in total operating income

The scale of operations of the company is moderate marked by total operating income (TOI) has decreased from Rs. 99.66 crore in FY19 to Rs. 73.54 crore in FY20 and the total net worth stood at Rs.18.73 crore as on March 31, 2020 as compared to other peers in the industry.

Low profitability margins due to trading nature of business along with susceptible to fluctuation in foreign exchange prices

In FY20 the profitability margins of DRSL remained low as compared to other peers in the industry due to trading nature of business. The PBILDT & PAT margin of DRSL has remained same at 3.84% & 2.63% in FY20 as compared to 3.84% & 2.63% in FY19.

Fragmented and competitive nature of industry

DRSL is facing stiff competition from many organized and unorganized players in the business of trading of wood pulp. Many companies easily enter into the business of trading due to low capital intensity of the business.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Key rating strengths

Long track record and experience of the promoters for more than two decades in trading of wood pulp business

The management team of DRSL is led by Mr. Raj Kumar Inani (Managing Director) and Mr. Narayan Inani (Director) who have more than two decades of experience in trading of wood pulp business. Mr. Anirudh Inani (Director) has more than one decade of experience in trading of wood pulp business along with presence of well experienced executive team.

Through their experience in this industry, they have established healthy relationship with a large number of clients. Due to long term presence in the market, the promoters have good relations with suppliers and customers

Financial risk profile marked by comfortable capital structure, debt coverage indicators and operating cycle

The capital structure of the company remained comfortable marked by overall gearing ratio at 0.17x as on March 31, 2020, improved from 0.26x as on March 31, 2019. Also, the debt coverage indicators of the company remained comfortable marked by total debt/GCA and interest coverage ratio in FY20. Interest coverage ratio has deteriorated to 5.34x in FY20 as compared to 6.81x in FY19 due to decrease in PBILDT level due to decrease in total operating income. TD/GCA has been improved from 1.51x in FY19 to 1.49x in FY20 at the back of decrease in total debt levels from Rs. 4.42 crore as on March 31, 2019 to Rs. 3.26 crore as on March 31, 2020. Further, the operating cycle of the company remained comfortable at 17 days in FY20 due to comfortable collection and creditor days.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios –Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology -Wholesale Trading](#)

About the Company

Hyderabad based, Dhanalaxmi Roto Spinners Private limited (DRSPL) was incorporated on September 11, 1987 promoted by Inani family members i.e. Mr. Raj Kumar Inani, Mr. Narayan Inani and Mr. Anirudh Inani. Later on, the constitution of the entity changed to Public Limited Company (listed in BSE) during November 1992 and the name of the company changed to current nomenclature i.e. Dhanalaxmi Roto Spinners Limited (DRSL). The company is mainly engaged in trading of Wood pulp, Paper, Waste Paper and Micro Crystalline Cellulose Powder. In FY20, DRSL had a Profit after Tax (PAT) of Rs.2.63 crore on a total operating income of Rs.73.54 crore, as against PAT and TOI of Rs.2.64 crore and Rs.99.66 crore, respectively, in FY19.

Brief Financials (Rs. crore)	FY19(A)	FY20(A)
Total operating income	99.66	73.54
PBILDT	3.82	2.83
PAT	2.63	1.94
Overall gearing (times)	0.26	0.17
Interest coverage (times)	6.81	5.34

A: Audited

Status of non-cooperation with previous CRA: Brickwork Ratings has conducted the review on the basis of best available information and has classified Dhanalaxmi Roto Spinners Limited as Issuer not cooperating vide its press release dated March 13, 2020.

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	1.50	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-ILC/FLC	-	-	-	15.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	1.50	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (27-Aug-19)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (03-Aug-18)	1)CARE BB+; Stable (19-Jul-17)
2.	Non-fund-based - ST-ILC/FLC	ST	15.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (27-Aug-19)	1)CARE A4+; ISSUER NOT COOPERATING* (03-Aug-18)	1)CARE A4+ (19-Jul-17)

*Issuer did not cooperate; based on best available information

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-ILC/FLC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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