

Dhanalaxmi Roto Spinners Limited

August 27, 2019

Rating

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

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated August 03, 2018, 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 email dated July 18, 2019, July 22, 2019, July 23, 2019, July 26, 2019 and August 09, 2019. 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

The rating assigned to the bank facilities of Dhanalaxmi Roto Spinners Limited (DRSL) continues to be constrained by moderate scale of operations, fragmented and competitive nature of industry and profitability margins are susceptible to fluctuation in foreign exchange prices. The rating also takes into consideration growth in total operating income, financial risk profile marked by comfortable capital structure, debt coverage indicators and operating cycle days. The rating however continues to derive strength from long track record and experience of the promoters

Detailed description of the a rating drivers

Key Rating weakness

Moderate scale of operations

The scale of operations of the company is moderate marked by total operating income (TOI) & tangible network of Rs.99.66 crore & Rs. 16.79 crore in FY19 as compared to other peers in the industry

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

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

In FY19 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 declined by 145 bps and 45 bps respectively and remained at 3.84% & 2.64% in FY19 as compared to 5.29% & 3.09% in FY18.

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.

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

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

Growth in total operating income during the review period

Total Operating Income (TOI) of the company has increased by 31.43% from Rs. 75.83 crore in FY18 to 99.66 crore in FY19

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 0.26x as on March 31, 2019, however deteriorated from 0.18x as on March 31, 2018. Also, the debt coverage indicators of the company remained comfortable marked by total debt/GCA and interest coverage ratio in FY19. Interest coverage ratio has deteriorated to 6.81x in FY19 as compared to 12.36x in FY18 due to decrease in PBILDT level along with significant increase in financial expenses.

TD/GCA has been deteriorated from 0.90x in FY18 to 1.51x in FY19 at the back of increase in total debt levels from Rs. 2.37 crore as on March 31, 2018 to Rs. 4.42 crore as on March 31, 2019, despite of marginal increase in GCA.

Further, the operating cycle of the company remained comfortable at 10 days in FY19 due to comfortable collection and creditor days.

Liquidity Analysis

The current ratio of the company is above unity during the review period at 1.44x as on March 31, 2019 mainly on account of high current assets as compared to current liabilities due to sundry debtors as on closing balance sheet date. Also, DRSL has cash and cash equivalents stood at Rs. 9.21 crore to meet its liquidity requirements.

Analytical Approach: Standalone

Applicable Criteria

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

[Rating Methodology - Wholesale Trading](#)

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

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

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

[Criteria for Short Term Instruments](#)

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 FY19, DRSL had a Profit after Tax (PAT) of Rs.2.63 crore on a total operating income of Rs.99.66 crore, as against PAT and TOI of Rs.2.34 crore and Rs.75.83 crore, respectively, in FY18.

Brief Financials (Rs. crore)	FY18(A)	FY19(A)
Total operating income	75.83	99.66
PBILDT	4.01	3.82
PAT	2.34	2.63
Overall gearing (times)	0.18	0.26
Interest coverage (times)	12.36	6.81

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

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* Issuer not cooperating; Based on best available information
Non-fund-based - ST-ILC/FLC	-	-	-	15.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	1.50	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	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* Issuer not cooperating; Based on best available information	-	1)CARE A4+; ISSUER NOT COOPERATING* (03-Aug-18)	1)CARE A4+ (19-Jul-17)	-

*Issuer did not cooperate; based on best available information

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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