

Dhanalaxmi Roto Spinners Limited

August 03, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	1.50	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Based on best available information
Short-term Bank Facilities	15.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus; ISSUER NOT COOPERATING*)	Issuer Not Cooperating; Based on best available information
Total Facilities	16.50 (Sixteen Crore and Fifty Lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Dhanalaxmi Roto Spinners Limited (DRSL) to monitor the rating vide e-mail communications/ letters dated July 17th, 2018; July 16th, 2018; July 09th, 2018; July 02nd, 2018; May 31st 2018; May 09th 2018; April 26th 2018. and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of publicly available information which however, in CARE's opinion is not sufficient to arrive at fair rating.** The rating on Dhanalaxmi Roto Spinners Limited'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 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, improved capital structure and debt coverage indicators. The rating however continues to derive strength from long track record and experience of the promoters and moderate operating cycle

Detailed description of the key rating drivers

Key Rating Weakness

Moderate scale of operations

Total Operating Income (TOI) increased from Rs. 51.15 crore in FY16 to 54.25 crore in FY17 and Rs. 75.93 crore in FY18, however remaining moderate in nature.

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 FY17, the PBILDT margin increased from 3.59% in FY16 to 6.49% in FY17. The same has declined by 116 bps in FY18 as compared to FY17. The APAT margin however improved from 1.49% in FY16 to 3.63% at the back of decrease in interest expenses. The same marginally declined to 3.08% in FY18 as the depreciation provisions increased in FY18.

Key Rating Strengths

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

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

*Issuer Not Cooperating; Based on best available information

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

Growth in total operating income during the review period

Total Operating Income (TOI) has been growing at a CAGR of 14.07% during the period of FY16-FY18

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

Interest coverage ratio has improved to 12.66 times in FY18 from 9.78 times in FY17 due to increase in PBILDT level and marginally reduced interest expenses. The TDGCA improved from 2.58x as on March 31st 2016 to 0.32x as on March 31st 2018 at the back of decrease in total debt and increase in cash accruals. The TDGCA remained in similar lines at 0.33x as on March 31st 2018 on minimal increase in total debt. The company had an operating cycle of 20 days in FY17.

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](#)

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. The main product of the company is Wood pulp, from which the company is generating more than 95% of the revenue. Out of 100% purchases, 98% purchases are imports from Singapore & Japan. The company generates entire sales from domestic clients. Wood pulp is mainly used in manufacturing of Plywood and for white coating for tablets in Pharma companies.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (Prov.)
Total operating income	54.25	75.93
PBILDT	3.52	4.05
PAT	1.97	2.34
Overall gearing (times)	0.06	0.06
Interest coverage (times)	9.78	12.66

A:Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

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.

Analyst Contact:

Name: Mr Manish Kumar

Tel: 040-67937415

Mobile: +91 9949547551

Email: Manish.kumar@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an *External Credit Assessment Institution (ECAI)* by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum

of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
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 (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+ (19-Jul-17)	-	-

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi

Cell: + 91 98190 09839

 E-mail: meenal.sikchi@careratings.com
Mr. Ankur Sachdeva

Cell: + 91 98196 98985

 E-mail: ankur.sachdeva@careratings.com
Ms. Rashmi Narvankar

Cell: + 91 99675 70636

 E-mail: rashmi.narvankar@careratings.com
Mr. Saikat Roy

Cell: + 91 98209 98779

 E-mail: saikat.roy@careratings.com
CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

 Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com
AHMEDABAD
Mr. Deepak Prajapati

32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015

Cell: +91-9099028864

Tel: +91-79-4026 5656

 E-mail: deepak.prajapati@careratings.com
HYDERABAD
Mr. Ramesh Bob

401, Ashoka Scintilla, 3-6-502, Himayat Nagar, Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

 E-mail: ramesh.bob@careratings.com
BENGALURU
Mr. V Pradeep Kumar

Unit No. 1101-1102, 11th Floor, Prestige Meridian II, No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91 98407 54521

Tel: +91-80-4115 0445, 4165 4529

 Email: pradeep.kumar@careratings.com
JAIPUR
Mr. Nikhil Soni

304, Pashupati Akshat Heights, Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

 E-mail: nikhil.soni@careratings.com
CHANDIGARH
Mr. Anand Jha

 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh

Cell: +91 85111-53511/99251-42264

Tel: +91-0172-490-4000/01

 Email: anand.jha@careratings.com
KOLKATA
Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.) 10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

 E-mail: priti.agarwal@careratings.com
CHENNAI
Mr. V Pradeep Kumar

Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

 Email: pradeep.kumar@careratings.com
NEW DELHI
Ms. Swati Agrawal

13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

 E-mail: swati.agrawal@careratings.com
COIMBATORE
Mr. V Pradeep Kumar

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

 Email: pradeep.kumar@careratings.com
PUNE
Mr. Pratim Banerjee

9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

 E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691