

Dolphin Leathers

September 25, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	1.25	CARE C; Stable; ISSUER NOT COOPERATING* (Single C; Outlook: Stable; ISSUER NOT COOPERATING*)	ISSUER NOT COOPERATING; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*) on the basis of best available information.
Short term Bank Facilities	5.25	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING)	ISSUER NOT COOPERATING Based on best available information
Total	6.50 (Rupees Six crore and Fifty lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Dolphin Leathers (DL)** to monitor the rating vide e-mail communications/letters dated September 08, 2020, September 10, 2020, September 15, 2020 and numerous phone calls. However, despite our repeated requests, the entity has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, **Dolphin Leathers** has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on NFM's bank facilities will now be denoted as **CARE C; Stable; ISSUER NOT COOPERATING** and **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 ratings.

The rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by DL with CARE'S efforts to undertake a review of the rating outstanding.

Detailed description of the key rating drivers

At the time of last rating in July 15, 2019 the following were the rating strengths and weaknesses:

Key Rating Weaknesses:

Small scale of operations with low profitability margins: DL is a small player vis-à-vis other players in the domestic leather products industry with total operating income of Rs.36.59 crore (Rs.46.54 crore in FY17) and PAT of Rs.0.61 crore (Rs.0.66 crore in FY17) in FY18, Provisional. Further, the net worth base and total capital employed was low at Rs.4.68 crore and Rs.14.53 crore, respectively, as on March 31, 2018. The profitability margins of the firm remained low marked by PBILD of 4.77% (3.88% in FY17) and PAT margin of 1.67% (1.41% in FY16) in FY18, provisional.

Exposure to volatility in raw material prices: The raw material costs remained the major cost driver for the firm which accounted for around 86% of the total cost sales in FY18 which was around 89% in the preceding year. Accordingly, any adverse movement in prices of raw materials with no corresponding change in final goods prices can have an adverse impact on the profit margins of the firm.

Leveraged capital structure with moderate debt coverage indicators: The capital structure of the firm remained leveraged marked by overall gearing ratio at 2.11x as on March 31, 2018. The debt coverage indicators remained moderate marked by interest coverage ratio of 2.35x and total debt to GCA of 9.72x in FY18, provisional.

Partnership nature of constitution: DL, being a partnership firm, is exposed to inherent risk of partner's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the partners. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

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

*Issuer not cooperating, based on best available information

Intensely competitive industry: The leather industry is highly fragmented with a large number of small to medium scale organized and unorganized players owing to low entry barriers with no visible differentiators in product profile. High competition in the operating spectrum and small size of the entity limits the scope for margin expansion. Though government policies towards the industry have been supportive both for small-scale sector development as well export promotion, the industry is caught up with socio political issues relating to slaughtering of animals. With the production clustered in 4-5 locations, distribution network becomes the key to success.

Many companies in the leather products have a strong distribution network and enter into brand building exercise to improve the sales and market share. Hence the players in the industry do not have pricing power and are exposed to competition induced pressures on profitability.

Key Rating Strengths

Experienced partners with long track record of operations: The firm is into leather products industry since 1998 and thus has long operational track record. Furthermore, all the partners have around two decades of experience in the leather industry, looks after the day to day operations of the firm.

Strategic location of the plant: DL has its owned tannery unit for manufacturing of finished leather which is its basic raw material for manufacturing of leather products like bags, wallet, gloves etc. located at Kolkata leather complex, Bantala. The presence of backward integration of its basic raw materials minimises its costs and dependability on local suppliers for purchase of finished leather. Accordingly, the availability of raw materials is not an issue. Moreover, the firm procures its basic raw material i.e. raw leather from local suppliers. Further the manufacturing plant has ample supply of cheap labour.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning 'outlook' and 'credit watch'](#)

[Rating Methodology-Manufacturing Companies](#)

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

[Criteria for Short Term Instruments](#)

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Entity

Established in 1998, Dolphin Leathers (DL) is a partnership firm engaged in manufacturing and export of leather products like wallets, ladies hand bags, leather portfolios, letter messenger bags, leather gloves, welding gloves and other leather accessories. The tannery unit of the firm is located at Kolkata Leather Complex, Bantalla where raw leathers are processed and the finished products are manufactured at Topsis, Kolkata. The major export destinations of the firm are Germany, Italy, Spain etc.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for 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	-	-	-	1.25	CARE C; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-PC/Bill Discounting	-	-	-	5.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	0.25	CARE A4; ISSUER NOT COOPERATING*

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	1.25	CARE C; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (15-Jul-19)	1)CARE BB-; Stable (07-Jun-18)	-
2.	Fund-based - ST-PC/Bill Discounting	ST	5.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (15-Jul-19)	1)CARE A4 (07-Jun-18)	-
3.	Non-fund-based - ST-Letter of credit	ST	0.25	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (15-Jul-19)	1)CARE A4 (07-Jun-18)	-

* Issuer Not Cooperating; 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**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - ST-PC/Bill Discounting	Simple
3.	Non-fund-based - ST-Letter of credit	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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