



Press Release

Dhunseri Ventures Limited

November 25, 2021

Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Long Term Bank Facilities	46.07 (reduced from Rs.52.50 crore)	IVR AA- / Stable Outlook (IVR DoubleA Minus with Stable Outlook)	Revised
Total	46.07		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating assigned to the bank facilities of Dhunseri Ventures Ltd (DVL; erstwhile Dhunseri Petrochem Limited) takes into account healthy improvement in its revenue, profitability and financial risk profile in FY21 and in H1FY22. Moreover, the rating also notes satisfactory performance of its associate companies. Further, the rating continues to derive comfort from its strong promoters with strong liquidity position marked by presence of large liquid investments which is however exposed to market volatility, sound capital structure underpinned by its strong net worth base and assured royalty income. These rating strengths are however tempered by volatility in its operations, high exposure to group companies and cyclical nature of the petrochemical industry.

Rating Sensitivities

Upward Factors:

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis

Downward Factors:

- Decline in operating income and/or profitability impacting the financial risk profile on a sustained basis
- Significant increase in pledging of investments to raise debt
- Significant impairment/diminution in value of investments impacting liquidity

Detailed Description of Key Rating Drivers

Key Rating Strengths

- Strong promoters



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Dhunseri group is one of the reputed industrialist groups of Kolkata, headed by Mr. C.K. Dhanuka, who is the Executive Chairman of DVL. He is an industrialist of repute with about four decades of experience in the field of tea and about a decade old experience in Petrochemicals. Currently, Mrs. Aruna Dhanuka (Wife of Mr. C. K. Dhanuka) is the Managing director of DVL. The promoters are ably supported by a strong management team which has rich experience in both the industries.

- **Strong liquidity position; however, exposed to market volatility**

The liquidity of the company continued to remain strong, given the sizeable portfolio of its free cash and liquid investments. As on March 31, 2021, DVL had free cash and liquid investment aggregating to ~Rs.461 crore (investments in equity shares, mutual funds and cash and bank balance). However, since a sizable portion of its liquid assets are in stock market, it is exposed to stock market related volatility.

- **Sound capital structure underpinned by strong net worth base**

DVL's reliance on external borrowing has remained low due to its strong liquidity. DVL availed term loan in FY19 to support its acquisition of IVL Dhunseri Polyester Company S.A.E (IVLDPC). However, the capital structure remained comfortable with the overall gearing ratio of 0.04x backed by its robust tangible net worth base of Rs.1078.86 crore as on March 31, 2021.

- **Assured royalty income**

DVL is entitled to receive royalty income from IVL Dhunseri Petrochem Industries Pvt Ltd (IVLDPL) and IVLDPC for use of "ASPET" brand owned by DVL. The royalty income is to be based on the sale value of IVLDPL and IVLDPC (excluding the inter-group business). During FY21, DVL earned royalty income of Rs.17.07 crore from IVLDPL and Rs.14.56 crore from IVLDPC.

- **Healthy debt protection parameters**

The debt protection parameters of the company remained healthy as reflected by its comfortable interest coverage ratio of 37.49x and Total debt to GCA at 0.62x respectively in FY21. Further, total indebtedness of the company as reflected by TOL/TNW remained comfortable at 0.07x as on March 31, 2021.



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- **Improvement in financial performance in FY21 and in H1FY22**

The financial performance of the company has witnessed significant improvement in FY21 and in H1FY22. During FY21 and in H1FY22, the company reported significant growth in its revenue and profitability on the back of higher dividend income and investment gains. DVL earned dividend income of Rs. 21.25 crore in FY21 from its associate company, IVL Dhunseri Petrochem Industries Private Limited, against Rs.3.18 crore in FY20. Further, during FY21 the other associate IVL Dhunseri Polyester Company S.A.E. (IVLDPC) turned profitable and witnessed sharp improvement.

Key Rating Weaknesses

- **Volatility in operation**

Over the years the business of DVL has witnessed structural changes several times due to various mergers and demergers. This has resultant in volatility in its revenues and profitability.

- **High exposure to group companies**

DVL has significant exposure to group companies. Out of total investment of Rs. 585 crore in its group companies as on September 30, 2021, DVL has invested ~Rs.350 crore in associate companies, namely IVL Dhunseri Petrochem Industries Private Limited and Egypt based IVL Dhunseri Polyester Co. S.A.E (IVLDPC) which are engaged in manufacturing of PET Resin. Further, DVL has incorporated a new wholly owned subsidiary, Dhunseri Poly Films Private Limited (DPFPL), in November 2020 for the manufacture of Polyester Films i.e. BOPET and invested Rs.160 crore in it as on September 30,2021. DPFPL is setting up a BOPET Line with production capacity of 45000 TPA at Panagarh in the state of West Bengal. The project cost is estimated to be Rs. 430 crore which is to be funded by term loan of Rs. 270 crore and the balance of Rs. 160 crore has already been infused by DVL. Any deterioration in the operational performance of subsidiary companies will remain key monitorable.

- **Cyclical nature of the petrochemical industry**

The global petrochemical industry is historically cyclical and sensitive to changes in supply and demand that are, in turn, affected by political and economic conditions. The



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international petrochemical markets have witnessed spurt in prices and profit margins in alternating periods driven by limited supply, followed by expansion of production capacity, led to oversupply and reduced profitability. The profitability in the petrochemical industry is affected by the worldwide level of demand along with vigorous price competition. Further, there is a high degree of correlation between the economic growth and the growth in polymer consumption.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Strong

DVL's liquidity profile is strong backed by its robust liquid assets aggregating to ~Rs.671 crore (as on September 30,2021) as compared to its debt obligations. Moreover, its strong accruals are also expected to support its debt obligations.

About the Company

Dhunseri Ventures Ltd. (DVL, erstwhile Dhunseri Petrochem Limited) was initially incorporated as Dhunseri Tea Company Ltd in May, 1916. The Dhanuka group, based out of Kolkata, took over the management of the company in 1955. Currently, DVL is operating as an investment company. Further, it is holding 50% stake in IVL Dhunseri Petrochem Industries Pvt Ltd (IVLDPL) which is a joint venture between the Dhanuka group through DVL and Thailand-based Lohia group through Indorama Ventures Public Limited Company. Currently, the revenue profile of DVL comprise rental income, profit on sale of investment of shares & securities, interest/dividend income (revenue from treasury operations) and royalty income from IVLDPL for use of its brand "ASPET". DVL had set-up a PET resin manufacturing facility in Egypt (through its associate IVL Dhunseri Polyester Company S.A.E. (IVLDPC)) and is having 50% stake in IVLDPC with IVL having another 50% stake. The operations have again commenced from August, 2018.



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Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	61.15	162.97
EBITDA	22.45	141.65
PAT	17.83	123.16
Total Debt	53.16	46.59
Tangible Net worth	842.95	1078.86
EBITDA Margin (%)	36.71	86.92
PAT Margin (%)	28.63	73.89
Overall Gearing Ratio (x)	0.06	0.04

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facilities-Term loan	Long Term	46.07	IVR AA-/ Stable Outlook	IVR A+/ Stable Outlook (September 9, 2020)	IVR A+/ Stable Outlook (September 20, 2019)	-

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About Infomerics:



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Loan	-	-	May 2023	16.07	IVR AA-/ Stable Outlook
Long Term Fund Based Limits – Term Loan	-	-	Nov 2022	30.00	IVR AA-/ Stable Outlook

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lender-Dhunseri-25-11-21.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.