



Press Release

D.M. Metalloys Private Limited

January 27, 2025

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities- Cash Credit	48.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	--	Assigned	Simple
Long Term Bank Facilities- GECL	0.76	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	--	Assigned	Simple
Long Term Bank Facilities- OD against FD	0.37	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	--	Assigned	Simple
Total	Rs. 49.13 crore (Rupees forty- nine crore thirteen lakh only)				

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2.

Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings assigned rating of IVR BBB-/Stable to the bank facilities of DM Metalloys Private Limited (DM Metalloys) based on the company's strong relationships with reputed customers and suppliers, its role as a major distributor for Jindal Stainless Ltd, and the experience of its promoters. However, the rating is constrained by risks such as geographical concentration, susceptibility of profitability to fluctuations in stainless steel prices and intense competition. Additional constraints are the thin profitability margins and a leveraged capital structure.

The Stable outlook reflects Infomerics belief that the company will continue to benefit from its position as one of the largest dealers of Jindal Stainless in India and the long association the company has established with reputed customers thereby ensuring sustained business performance.



Press Release

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenues and profitability translating into significant increase in gross cash accruals.
- Reduction in concentration risks.

Downward Factors

- Deterioration in working capital cycle and liquidity profile of the company.
- Substantial decline in profitability impacting debt protection metrics and liquidity.
- A significant increase in gearing due to increase in working capital cycle
- Any large debt funded capex.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with demonstrated funding support.

Mr. Dalichand Raichand Chandan, Mr. Mukesh Dalichand Chandan, Mr. Naimesh Madhubhai Patel, and Mr. Vikram Dalichand Chandan have over five decades of experience in steel industry. The promoters' extensive experience has aided their ability to build relationships with their principal (Jindal Stainless) and other suppliers and clients and to obtain repeat business. The company is well supported by a team of experienced professionals, and promoters have also demonstrated their financial support through unsecured loans, which stood at Rs.17.53 crore on March 31, 2024.

Well established relationship with reputed customers and suppliers

The company has established strong relationships with reputed customers such as Indian Oil, Godrej, Wipro, L&T, Jindal Steel & Power etc. The company receives repeat orders from these clients with strong credit profile, reflecting its reliability and commitment to maintain high service standards. Additionally, the company maintains healthy relationships with its suppliers, ensuring smooth operations and continued success in meeting the needs of its clientele across various industries.



Press Release

Distributor of Jindal Stainless Ltd

DM Metalloys holds distribution agency for Jindal Stainless Ltd, distributing stainless steel products manufactured solely by this company. As the only stainless-steel manufacturer in India for products such as HR coils, CR coils, plates, long products (rebars and wire rods) and blooms, Jindal commands a dominant 90% market share in these segments, effectively holding a monopoly in the industry. Jindal has an extensive network of distributors across various regions, with 28 distributors in Mumbai, 42 distributors in North India, and 16 distributors in other areas. When dealing with Jindal, the company is not required to provide any deposit. The minimum target that the company must achieve is 2,250 tonnes per month, while the company is currently selling an average of 3,000 tonnes per month. It is one of the largest distributors of Jindal in India.

Key Rating Weaknesses

Geographical concentration risk

The present order book is geographically skewed towards two states namely Maharashtra and Haryana indicating a geographical concentration risk. The company is having ~92% revenue from Maharashtra and Haryana.

Susceptibility of profitability to variations in prices of stainless steel

The operating margins of company are affected by fluctuation in prices of traded products. Stainless steel prices are less volatile than prices of mild steel. However, the selling prices of stainless steel in India will still be dependent on the landed prices of stainless steel vide imports. In a scenario of declining international prices, the company may suffer inventory losses thereby impacting its margins.

Intense competition & thin profitability

The extensive distributor network that Jindal has established further intensifies competition. With 28 distributors in Mumbai, 42 in North India, and 16 in other regions, DM Metalloys is competing with a large number of other distributors, all selling the same product under similar terms. The large number of distributors in various regions creates a highly competitive environment, making it difficult for DM Metalloys to differentiate itself or increase prices. As a result, the company operates in a low-margin environment where profitability is tightly



Press Release

constrained by the competitive pressures of a monopolistic supplier and numerous other distributors.

Leveraged capital structure

The company's overall gearing stood at 2.82 times as at end FY24. High gearing was on account of low net worth of Rs. 24.51 crore and total borrowings of Rs. 69.06 crore as on the same date. Borrowings comprised of cash credit borrowings of Rs. 32.81 crore, unsecured loans of Rs. 34.61 crore and others (GECL and term loans). Infomerics notes that the increasing scale of operations over the next two years could potentially reduce gearing to around 2 times due to increase in the net worth. On the other hand, a significant increase in gearing level due to increase in working capital cycle or otherwise could be detrimental to the rating.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning Rating Outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity –Adequate

D.M. Metalloys is expected to maintain an adequate liquidity profile, as its projected gross cash accrual for FY25-FY27 is estimated to be around Rs. 6-9 crore annually, which should comfortably cover its annual debt repayments of ~Rs. 1.00 crore in FY25 to FY27. The company has modest cash & bank balance of Rs. 0.33 crore as on September 30, 2024. The utilization of its Rs. 48.00 crore cash credit limit stood at 86.92% for the last twelve months ended December 31, 2024.



Press Release

About the Company

D.M. Metalloys Pvt. Ltd., founded in 1974 as D.M. Metal Syndicate, has grown under the leadership of Shri Dalichandji Chandan. With over five decades of experience, the company trades in a wide range of stainless-steel products, including sheets, coils, pipes, and fittings. It deals in all grades of stainless steel and holds a distributorship with Jindal Stainless Ltd., benefiting from better discounts due to high volume purchases. The company serves around 5,500 clients, including major names like Larsen & Toubro, Wipro, and Indian Oil. It operates warehouses in Mumbai and Faridabad, with retail shops in Mumbai and Delhi. The company also works with cutters and slitters at various locations. D.M. Metalloys supplies materials to industries like automobiles, chemicals, pharmaceuticals, and shipbuilding.

Financials Standalone

(Rs. crore)		
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	589.03	567.30
EBITDA	14.60	13.43
PAT	5.89	5.47
Total Debt	92.66	69.06
Tangible Net Worth	19.07	24.51
EBITDA Margin (%)	2.48	2.37
PAT Margin (%)	1.00	0.96
Overall Gearing Ratio (x)	4.86	2.82
Interest Coverage (x)	2.00	1.75

* As per Infomerics Standard

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
Press Release			January 27,2025				
1	Long term Bank Facilities- Cash Credit	--	48.00	IVR BBB-/ Stable	--	--	--
2	Long term Bank Facilities- GECL	--	0.76	IVR BBB-/ Stable	--	--	--
3	Long term Bank Facilities- OD Against FD	--	0.37	IVR BBB-/ Stable	--	--	--

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



Press Release

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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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 Bank Facilities- Cash Credit	--	--	--	48.00	IVR BBB-/ Stable
Long Term Bank Facilities- GECL	--	--	November, 2026	0.76	IVR BBB-/ Stable
Long Term Bank Facilities- OD against FD	--	--		0.37	IVR BBB-/ Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-DM-Metalloys-27jan25.pdf>

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

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

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.