



Press Release

DMSONS Metals Private Limited

May 24, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	3.00	IVR BBB/ Stable (IVR triple B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	117.00	IVR A3+ (IVR A three plus)	Assigned	Simple
Total	120.00 (INR One Twenty Crores Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of DMSONS Metals Private Limited considers the experience of promoters with established track record in the business, comfortable capital structure and debt protection metrics and significant increase in topline and profits during the FY2022 (provisional). However, the rating is constrained by low profitability indicated by lower operating and profit margins, working capital intensive nature of operations and raw material price volatility.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters with established track record in the business:

The promoters of the company, Mr Deepak Mehta and Mr. Pranit Mehta have been engaged in the steel products business since last six decades. Backed by their long presence, they have established relationships with key customers and suppliers, which has supported the business risk profile of the company. They have successful operational track record and has established healthy relationship with the customers as it has been getting regular repeat orders from its clients.

Comfortable capital structure and debt protection metrics

Company's capital structure remained moderate as on 31st March 2022 (Provisional). The overall gearing ratio stood at 0.04x in FY22(Provisional). The adjusted net worth of company stood at Rs.103.04 crores as on 31st March 2022(Provisional). TOL/TNW stood at 0.82x as on 31 March 2022 (Provisional). Debt protection parameters also remains moderate with interest coverage ratio of 3.51x and DSCR of 3.20x in FY22 (Provisional). Total debt/GCA, interest coverage & other debt protection metrics expected to remain healthy moving forward.

Significant increase in topline and profits during the FY2022 (provisional)

The company has reported turnover of around Rs.510.59 crores as per FY22(P) as compared to Rs.260.48 crores in FY21 which depicts significant increase in scale of operations of the company majorly driven by better sales realization and increase in demand post Covid-19 pandemic , which in turn has given boost to profitability of the company as the EBITDA has improved from Rs.7.73 crores in FY21 to Rs.18.03 crores in FY22(P), also the PAT stood at Rs.10.85 crores in FY22(P) as compared to Rs.1.29 crores in FY21.



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Key Rating Weaknesses

Low profitability indicated by lower operating and profit margins

The company being involved in trading nature of business, has historically registered lower operating and profit margins. However, the EBITDA and PAT margins have improved from 2.97% in FY21 to 3.53% and 0.49% to 2.12% in FY22(P) respectively.

Working capital intensive nature of operations

The Working capital cycle of the company is moderately intensive as the same is depicted in Gross Current Assets, which is in the range of 120-225 days over the last four fiscals ended March 31, 2022(P). It is driven by receivables and inventory in the range of 40-80 days and 50-75 days. This has been adequately supported by creditors in the range of 50-100 days. The requirements for working capital will continue to remain moderately high, with GCAs expected in the range of 120-140 days over the course of next few years.

Raw material price volatility

The operating margins of the company are affected by fluctuation in prices of Raw materials. The company faces price volatility both in the international market (on procurements) and domestic market (on sales). Any adverse movement in the price of raw materials can have a negative impact on the company's margins. However, company's withstanding relationship with its suppliers allow company to get cushion against the risk to some extent.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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



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Liquidity: Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals as against its scheduled debt repayment obligation during FY23-25. The company earned a Gross Cash Accruals (GCA) of Rs.11.29 crores in FY22. The combined fund based working capital limit utilization of company stands at ~17% which depicts low utilization. Also, the company's current ratio stands at 2.25x.

About the Company

The company is engaged in the trading of metal and steel plates. Its product portfolio includes high tensile steel plates, mild steel plates, boiler quality plates, wear-resistant steel plates, and many more. The company serves industry segments such as oil & gas, automobile, pressure vessels & boilers, and heavy engineering dimensions, among others. They have warehousing unit based at Taloja - Navi Mumbai.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	260.48	510.59
EBITDA	7.73	18.03
PAT	1.29	10.85
Total Debt	4.17	4.21
Tangible Net worth	92.04	102.90
EBITDA Margin (%)	2.97	3.53
PAT Margin (%)	2.12	2.43
Overall Gearing Ratio (x)	0.05	0.04
Interest Coverage Ratio (x)	1.44	3.51

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NIL

Any other information: NIL

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding	Rating	Date(s) & Rating(s)	Date(s) & Rating(s)	Date(s) & Rating(s)



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			(Rs. crore)		assigned in 2021-22	assigned in 2020-21	assigned in 2019-20
1.	Cash Credit	Long Term	3.00	IVR BBB/ Stable	-	-	-
2.	Overdraft**	Long Term	(5.00)	IVR BBB/ Stable	-	-	-
3.	Cash Credit*	Long Term	(7.00)	IVR BBB/ Stable			
4.	Working Capital Demand Loan*	Short Term	(7.00)	IVR A3+			
5.	Letter of Credit	Short Term	116.00	IVR A3+	-	-	-
6.	Bank Guarantee	Short Term	1.00	IVR A3+	-	-	-

*Sublimit of LC

**Sublimit of Import LC

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.



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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information 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 (INR Crore)	Rating Assigned/ Outlook
Cash Credit -I	-	-	-	2.00	IVR BBB-/ Stable
Cash Credit -II	-	-	-	1.00	IVR BBB-/ Stable
Cash Credit-III*	-	-	-	(7.00)	IVR BBB-/ Stable
Overdraft**	-	-	-	(5.00)	IVR BBB-/ Stable
Working Capital Demand Loan*	-	-	-	(7.00)	IVR A3
Letter of Credit-I	-	-	-	28.00	IVR A3
Letter of Credit-II	-	-	-	25.00	IVR A3
Letter of Credit-III	-	-	-	24.00	IVR A3



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Bank Guarantee	-	-	-	1.00	IVR A3
Import LC	-	-	-	39.00	IVR A3

**Sublimit of LC*

***Sublimit of Import LC*

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-DMSONS-May22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.

