



Press Release

Dhaval Agri Exports LLP (DAEL) October 25, 2023

Ratings:

Instrument / Facility	Amount (Rs crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Cash Credit	15.00	IVR BBB-/ Stable (IVR Triple B minus With Stable Outlook)	Assigned	Simple
Short Term Bank Facilities – Fund Based (PCFC)	70.00	IVR A3 (IVR A Three)	Assigned	Simple
Short Term Bank Facilities – Fund Based (Foreign Bill Purchase)	25.00	IVR A3 (IVR A Three)	Assigned	Simple
Short Term Bank Facilities – Non-Fund Based (Bank Guarantee)	5.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	115.00			

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings assigned to the bank facilities of Dhaval Agri Exports LLP continue to derive strength from its experienced promoters and established track record of operations, improving operating cycle, favorable demand outlook of Agro commodities being exported by DAEL, strong hedging mechanism in place to mitigate forex related risk & location advantage with easy accesses to raw material and transportation. However, the rating strengths are partially offset by susceptibility of margins to movement in price of seeds with exposure to agro-climatic risk and intense competition in food processing industry, exposure to government policies & moderate debt coverage indicators albeit moderately leveraged capital structure.

Key Rating Sensitivities:

Upward Factors:

- Substantial and sustained growth in operating income and profitability on a sustained basis.
- Sustenance of the capital structure and improvement in debt protection metrics marked.
- Improvement in working capital utilisation with utilisation of average bank borrowing



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Downward Factors:

- Moderation in operating income and/or profitability impacting the cash accruals and debt protection metrics.

Key Rating Drivers with detailed description:

Key Rating Strengths:

Experienced promoters and established track record of operations

The promoters engaged in the same line of business for over 40 years and were operating similar business under a proprietorship firm since 1981 and are well versed with the industry dynamics, crop pattern, demand-supply outlook. This helped the company to strategies and expand its operations across globe and the same duly reflects in the market leadership position of DAEL, wherein it is largest exporter of Sesame seeds for 13 consecutive years. Over the years, the firm has established a longstanding business relationship with its customers and suppliers, which reflects in the repeated orders over the years and comfortable payment terms.

Favourable demand outlook of Agro commodities being exported by DAEL.

Sesame seeds is among the key product profile of DAEL and has a huge market potential and favourable demand outlook. Sesame seeds are edible seeds used in variety of food preparation for its rich and nutty flavour. Sesame seeds can be eaten raw, or they can be baked or toasted to bring out more of their natural nutty flavour. They are a common topping on bagels, burger buns, salads, and breadsticks. They can also be tossed into salads.

Improving operating cycle:

Cash conversion cycle stood at 86 days in FY23 (FY22:102 days) which reflects moderate reliance on working capital debt. The average collection period is 46 days and average inventory holding period stands at 68 days in FY23. The average creditors period stands at 28 days in FY23.

Strong hedging mechanism in place to mitigate forex related risk.

As highlighted above, DAEL generate about 60% of its revenue from exports and has a strong hedging mechanism in place to mitigate forex fluctuation risk. DAEL covers its entire export exposure against forward cover limits. Further the promoter's and finance team closely monitor the demand-supply scenario on domestic and export level to price the respective order accordingly. Further to highlight the strong hedging practices of the company, last two year's foreign exchange fluctuation gain were Rs. 4.05 crore and Rs. 3.97 crore respectively.



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Location advantage with easy accesses to raw material and transportation.

The processing plant of DAEL is located in village Bedi, Rajkot, Gujarat with an installed capacity of 200 MT tonne per day for (cleaning/processing) and 60 MT per day for hulling activity. The plant is comfortably being operated at about 85% capacity utilization. DAEL procures the raw material primarily from the domestic market, wherein Gujarat is one of the major producers of this crop. The strategic location of the plant enables the company to procure the raw sesame seeds from surrounding region. The other key states facilitates the RM procurement are Madhya Pradesh, Rajasthan & UP among others. Further the plant is located on Rajkot Morbi highway, which provides a suitable transportation access to DAEL for procurement/dispatch of its products.

Key Rating Weaknesses:

Susceptibility of margins to movement in price of seeds with exposure to agro-climatic risk and intense competition in Food Processing Industry

The raw materials (seeds) which consist of major portion of the total sales are susceptible to fluctuations in production due to vagaries of nature. Moreover, the food processing industry is highly competitive and fragmented with presence of numerous small and medium sized players along with established players as well as low value additive nature of the work which along with fluctuation in prices of seeds limits the profitability of the company.

Exposure to government policies

DAEL, like other players in the agro-commodity business, remains exposed to changes in the legal and regulatory environment such as revision of tax rates, changes in import duty, restriction on import of certain agricultural commodities etc. However, the same is partially offset, as the company is dealing in diverse commodities.

Moderate debt coverage indicators albeit moderately leveraged capital structure:

The capital structure remained moderately leveraged as on March 31, 2023. The long-term debt to equity and overall gearing on ATNW stood at 0.27x and 3.03x respectively as on March 31, 2023. The TOL/TNW deteriorated from 3.59x as on March 31, 2022, to 4.05x as on March 31, 2023 due to lower tangible Networth. Interest coverage ratio stood at 1.43x in FY23. Total debt to GCA stood at 27 years in FY23.

Analytical Approach: Standalone



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Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity – Adequate

The liquidity of the company is adequate marked by expectation of sufficient cushion in cash accruals against debt repayments. However, the liquidity profile is restricted due to DAEL working capital intensive nature of operations marked by high fund-based limit utilisation at 83.86% during the past 12 months ended Aug 23 but low non-fund based utilization stood at 11.30%. The unencumbered cash and bank balance as on 31st Mar'23 is Rs. 5.20 Crore. The Current Ratio of the entity stood at 1.21x as on March 31, 2023. DAEL operating cycle decreased from 102 days in FY22 to 86 days in FY23 due to decrease in collection period from 61 days in FY22 to 46 days in FY23 with an increase in scale of operations.

About the Company

Dhaval Agri Exports LLP (DAEL) was established in the year 1999 as a partnership firm and later converted to an LLP in 2016 to its present nomenclature. DAEL is promoted by Rajkot (Gujarat) based Chandarana family and presently is being spearheaded by Mr. Suresh Chandarana, Mrs. Dolarben Chandarana and Mr. Jay Chandarana (representing second generation).

DAEL is engaged in the business of processing (cleaning/grading/sorting) and export of various agricultural commodities including Sesame seeds (across various categories), Cumin seeds, Coriander seeds among others. The processing unit of DAEL is strategically located in village Bedi, Rajkot Gujarat connected via Rajkot Morbi Highway, provides ease of access for transportation and nearness to raw material.



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Financials: Standalone

(Rs. crore)

For the year ended/* As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	461.41	594.33
EBITDA	11.86	14.86
PAT	4.22	4.41
Total Debt	114.73	138.63
Tangible Net-worth	45.23	45.77
Ratios		
EBITDA Margin (%)	2.57	2.50
PAT Margin (%)	0.91	0.74
Overall Gearing Ratio (x)	2.54	3.03

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Bank Facilities – Cash Credit	Long Term	15.00	IVR BBB-/ Stable	-	-	-
2.	Short Term Bank Facilities – Fund Based (PCFC)	Short Term	70.00	IVR A3	-	-	-
3.	Short Term Bank Facilities – Fund Based (Foreign Bill Purchase)	Short Term	25.00	IVR A3	-	-	-
4.	Short Term Bank Facilities – Non-Fund Based (Bank Guarantee)	Short Term	5.00	IVR A3	-	-	-



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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. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. 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 (Rs. crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	15.00	IVR BBB-/ Stable
Short Term Bank Facilities – Fund Based (PCFC)	-	-	-	70.00	IVR A3
Short Term Bank Facilities – Fund Based (Foreign Bill Purchase)	-	-	-	25.00	IVR A3
Short Term Bank Facilities – Non-Fund Based (Bank Guarantee)	-	-	-	5.00	IVR A3

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-DAEL-oct23.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 based on complexity and a note thereon is available at www.infomerics.com.