



Press Release

Din Dayal Purushottam Lal

May 05, 2022

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	55.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	55.00	Rupees Fifty Five Crore Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BBB- with a Stable Outlook for the bank loan facilities of Din Dayal Purushottam Lal (DDPL).

The rating draws comfort from its extensive experience of the promoters and established track record of operations in cotton industry, moderate capital structure and debt protection metrics. However, these strengths are partially offset by decline in total operating income and product concentrated risk.

IVR has principally relied on the standalone audited financial results of DDPL upto 31 March 2021 and projected financials for FY22, FY23 and FY24, and publicly available information/clarifications provided by the firm's management.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations and profitability margins thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in debt protection metrics.
- Significant improvement in its working capital management.

Downward Factors

- Significant reduction in the scale of operations and profitability margins.
- Deterioration in debt protection metrics and overall gearing.
- Any further significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters and established track record of operations:

The firm commenced its operations in 1971 and has a successful track record of more than three decades in the existing line of business. The firm is promoted by Mahesh Sharda and Mr. Pankaj Sharda, they both holds experience of more than three decades of cotton industry experience. Long standing presence of the promoter in the industry has helped the firm to build good relationships with both customers and suppliers. Furthermore, the partners will provide financial support to the firm, whenever necessary.

Moderate capital structure and debt protection metrics

The capital structure of the firm remained moderate over the past fiscal years. The overall gearing (adjusted) remained moderate at 2.35x in FY2021, as against 1.31x in FY2020. Further, total indebtedness of the firm as reflected by TOL/ATNW remained moderate at 2.93x in FY2021 (FY2020: 1.67x). In terms of the debt coverage indicators, the interest service coverage ratio (ISCR) remained constant at 1.27x in FY2021 as compared to 1.26x in FY2020, and the debt service coverage ratio (DSCR) marginally improved to 1.27x in FY2021 as compared to 1.23x in FY2020.

Key Rating Weaknesses

Decline in total operating income

The firm reported decline in total operating income (TOI) declined by ~29% to Rs. 631.45 crore in FY2021 from Rs.890.81 crore in FY2020, due to Covid-19 disruptions. However, DDPL reported improvement in EBIDTA margins to 1.42% in FY2021 from 1.19% in FY2020 primarily due to reduction in total cost of production in FY2021. Further improvement in TOI expected in FY2022 as the management has confirmed that they have booked total operating income of Rs. 1,794.87 crore.

Product concentration risk

DDPL earns revenues from sale of a single product i.e. raw cotton and this exposes the firm's revenue to volatility in the production, demand as well as prices of cotton. Furthermore, cotton trading is seasonal in nature with the peak season from December to March. The majority of sales occur during this period. Thus, the profit margins of DDPL are susceptible to the risks related to trading in a single commodity as well as seasonal nature of business.

Analytical Approach: For arriving at the ratings, IVR has analysed DDPL's credit profile by considering the standalone financial statements of the firm.



Press Release

Applicable Criteria:

[Rating Methodology for Trading Entities](#)

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

Liquidity – Adequate

DDPL has generated a gross cash accrual of Rs. 1.99 crore in FY2021 against the debt repayment obligations of Rs.0.07 crore. Further, the firm's liquidity position is modest marked by limited cushion in expected accruals vis-à-vis its repayment obligations in FY2022. The current ratio of the firm remained comfortable at 1.50x as on March 31, 2021. However, the average utilization of fund-based bank limits remained high at ~73% during the past 12 months ending 28th February 2022 indicating limited buffer to meet incremental requirements. The firm has adequate cash and cash equivalents amounting to Rs.8.64 crore as on March 31, 2021. All these factors reflect adequate liquidity position of the firm.

About the Firm

Din Dayal Purushottam Lal (DDPL) is a partnership firm, established in 1971. The firm specializes in trading of Shanker-6 and J-34 types of Indian raw cotton. The day-to-day operations are managed by its partners Mr. Mahesh Sharda and Mr. Pankaj Sharda. The group business was started in 1925 under the name of M/s Gheru Lal Bal Chand which dealt in the business of cotton wool, food grains etc at Sirsa, Haryana. Till 1975 the group had exposure to various activities like cotton ginning, oil mills etc.

Financials (Standalone):

	(Rs. Crore)	
For the year ended*	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	890.81	631.45
EBITDA	10.64	8.96
PAT	1.86	1.90
Total Debt	80.65	97.29
Adjusted Tangible Net worth	44.08	35.98
EBITDA Margin (%)	1.19	1.42
PAT Margin (%)	0.21	0.30
Overall Gearing Ratio (x)	1.31	2.35

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings has downgraded and moved the rating to ISSUER NOT COOPERATING category vide its press release dated September 02, 2021 due to non-submission of information.

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Facility	Long Term	55.00	IVR BBB-/Stable (Assigned)	-	-	-

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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.

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	55.00	IVR BBB-/ Stable

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Din-Dayal-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 [Complexity Level of Rated Instruments/Facilities](#).