



## Press Release

**Din Dayal Purushottam Lal**

**September 14, 2023**

### Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Previous Ratings	Current Ratings	Rating Action	<a href="#">Complexity Indicator</a>
1.	Long Term Bank Facility	68.65	IVR BB+/Negative/Issuer Not Co-operating* (IVR Double B Plus with Negative Outlook with Issuer Not Co-operating)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed with revision in outlook and removal from ISSUER NOT CO- OPERATING Category	Simple
<b>Total</b>		<b>68.65</b>	<b>Rupees Sixty Eight Crore and Sixty Five Lakhs Only</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed with revision in outlook and removal from Issuer Not Co-operating Category for long-term rating at IVR BB+ with stable outlook for the bank loan facilities of Din Dayal Purushottam Lal (DDPL).

The rating continues to draw comfort from its extensive experience of the promoters and established track record of operations, location advantage. However, these rating strengths are partially offset by decline in scale of operations and thin profit margins, leveraged capital structure and average debt-protection metrics, product concentration risk, risk arising from partnership nature of business.

IVR has principally relied on the audited financial results of DDPL's up to 31 March 2022, management certified provisional results for FY2023 and projected financials for FY2024, FY2025 and FY2026, and publicly available information/ clarifications provided by the company's management.

### Upward Factors



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- Growth in scale of operations with improvement in profitability margins leading to improvement in cash accruals on sustained basis.
- Improvement in the capital structure with improvement in overall gearing ratio.
- Significant improvement in its working capital management and debt protection metrics.

### **Downward Factors**

- Moderation in scale of operation with moderation in profitability impacting the gross cash accruals on a sustained basis.
- Any significant debt-funded capital expenditure leading to deterioration in capital structure.
- Stretch in the working capital impacts the capital structure and liquidity profile.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

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

DDPL has an operational track record from 1971. 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 partners in the industry has helped the firm to build good relationships with both customers and suppliers.

##### **Location advantage:**

The firm has offices at Ahmedabad in Gujarat, Mumbai, Aurangabad and Nagpur in Maharashtra, Raichur in Karnataka, Adilabad in Andhra Pradesh, Sri Ganaganagar in Rajasthan, Sirsa in Haryana and Abohar in Punjab which is the largest producer of raw cotton in India having benefits derived from lower logistics expenditure, easy availability and procurement of raw materials, labour, water and power connection.

#### **Key Rating Weaknesses**



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### **Decline in scale of operations and thin profit margins:**

The total operating income (TOI) of the firm significantly declined in FY2022-23 from Rs.1792.46 crore in FY22 to Rs. 984.31 crore in FY23(P) on account of decline in availability of cotton in open market. In FY2021-22, being an exceptional year, demand for Indian raw cotton has significantly improved in domestic market due to which firm was able to achieve the TOI of Rs.1792.46 crore. Later, the prices of the raw cotton have been stagnant and fall in demand which resulted decrease in TOI in FY2022-23. During FY23(P), the profitability of the firm in terms of EBITDA margin and PAT margin continued to remain thin at 0.91% (PY: 0.63%) and 0.22% (PY: 0.21%) respectively in FY23(P). In Q1FY24, the firm has achieved a revenue of ~Rs.190 crore.

### **Leveraged capital structure and average debt protection metrics:**

The firm has a leveraged capital structure marked by its overall gearing ratio and TOL/TNW at 3.00x and 3.36x respectively as on March 31,2023(P). The debt protection metrics of the firm stood moderate marked by interest coverage ratio at 1.27x in FY23(P) (1.58x in FY22) and Total debt to EBITDA at 11.00x as on March 31,2023(P).

### **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.

### **Risks arising from partnership nature of business:**

DDPL's constitution as a partnership firm, it is exposed to the discrete risks including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon death, retirement or insolvency of the partners. Moreover, the partnership nature limits DDPL's flexibility to tap external channels of financing.

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

### **Applicable Criteria:**



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[Rating Methodology for Trading Entities](#)

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

[Criteria for assigning rating outlook](#)

### **Liquidity – Stretched**

The liquidity position of the firm appears to be stretched marked by its tightly matched gross cash accruals as compared to its debt repayment obligations in the near term. Further, the firm has a leveraged capital structure indicating low gearing headroom. The average utilization of fund-based bank limits remained high at ~88% during the past 12 months ended March 2023 indicating limited buffer to meet incremental working capital requirements.

### **About the Company**

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 partner's family has started the business 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. The firm has offices at Ahmedabad in Gujarat, Mumbai, Aurangabad and Nagpur in Maharashtra, Raichur in Karnataka, Adilabad in Andhra Pradesh, Sri Ganaganagar in Rajasthan, Sirsa in Haryana and Abohar in Punjab.

### **Financials (Standalone):**

	(Rs. crore)	
For the year ended*/As on	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Provisional</b>



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For the year ended*/As on	31-03-2022	31-03-2023
Total Operating Income	1792.46	984.61
EBITDA	11.32	8.97
PAT	3.74	2.18
Total Debt	96.52	98.68
Tangible Net worth	32.40	32.88
EBITDA Margin (%)	0.63	0.91
PAT Margin (%)	0.21	0.22
Overall Gearing Ratio (x)	2.98	3.00

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** Brickwork vide press release dated December 15, 2022, has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

**Any other information:** Nil

**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 outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (July 24, 2023)	Date(s) & Rating(s) assigned in 2022-23 (May 5, 2022)	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based	Long Term	68.65	IVR BB+/Stable	IVR BB+/Negative/ INC	IVR BBB- /Stable (Assigned)	-

**Name and Contact Details of the Rating Analyst:**

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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](http://www.infomerics.com).

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### **Annexure 1: Details of Facilities**





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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Facility- Cash Credit	-	-	-	68.65	IVR BB+/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-DDPL-sep23.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](#).