



Press Release

Din Dayal Purushottam Lal

January 14, 2025

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	63.00	IVR BB/Stable (IVR Double B with Stable Outlook)	IVR BB/Negative/ISSUER NOT COOPERATING* (IVR Double B with Negative Outlook/Issuer Not Cooperating*)	Outlook revised from Negative to Stable and Rating removed from ISSUER NOT COOPERATING Category	Simple
2.	Short Term Bank Facilities	12.00	IVR A4 (IVR A Four)	-	Rating Assigned	Simple
	Total	75.00	Rupees Seventy Five Crore Only			

**Issuer not cooperating; Based on best available information.*

Details of Facilities/Instruments are in Annexure 1.

Facility wise lender details are at Annexure 2.

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed long term rating of IVR BB with revision in outlook to Stable from Negative and simultaneously removing the rating from ISSUER NOT COOPERATING Category. Further, IVR has also assigned short term rating of IVR A4 to the bank loan facilities of Din Dayal Purushottam Lal (DDPL).

The rating reaffirmed is on account of moderate financial risk profile of the firm. The ratings continue to draw comfort from its experienced management and long track record of operations, diversified geographical presence along with location advantage. However, these rating strengths are partially offset by decline in scale of operations coupled with thin profitability margins and risk arising from partnership nature of business.

The company will maintain a 'Stable' outlook over the medium term on account of its long track record of operations, extensive experience of promoters and healthy relationship with its customers and suppliers.



Press Release

IVR has principally relied on the standalone audited financial results of DDPL's up to 31 March 2024, (refers to period from 1st April 2023 to 31st March 2024) and projected financials for FY2025, FY2026, FY2027 and publicly available information/ clarifications provided by the firm's management.

Upward factors

- Substantial improvement in total operating income above Rs.850.00 crore with improvement in profitability margins.
- Improvement in the capital structure with improvement in overall gearing ratio below 2.00x.
- Significant improvement debt protection metrics and liquidity profile.

Downward factors

- Moderation in scale of operation with moderation in profitability impacting the gross cash accruals on a sustained basis
- Stretch in the working capital impacts capital structure and liquidity profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced management and long track record of operations:**

The firm has a long track of operations more than three decades in cotton industry. It is a family run business which was established in 1971 which was promoted by Mr. Mahesh Sharda and Mr. Pankaj Sharda, they both holds experience of more than three decades in current line of business. Additionally, the firm benefits from strong management support. Long standing presence of the partners in the industry has helped the firm to build good relationships with both customers and suppliers.

- **Diversified geographical presence and location advantage:**

The firm has diversified geographical locations across India, including Ahmedabad (Gujarat), Mumbai, Aurangabad, and Nagpur (Maharashtra), Raichur (Karnataka), Adilabad (Andhra Pradesh), Sri Ganganagar (Rajasthan), Sirsa (Haryana), and Abohar (Punjab). These regions, particularly known for being the largest producers of raw cotton in India, offer advantages such as reduced logistics costs, easy access to raw materials, labour, and connections to water and power.

Key Rating Weaknesses

- **Decline in scale of operations and thin profitability margins:**

The total operating income (TOI) of firm has declined by 20.11% from Rs.984.61 crore in FY2023 to Rs.786.63 crore in FY2024, on account of challenges faced by raw cotton industry due to high maintenance, unpredictable weathers, high labour costs and farmer's shift to high demand crops. This impacted the decline in sales quantity by 53% from 6,61,413 bales in FY2022 to 3,08,316 bales in FY2024. Further, average sales realisation



Press Release

has also declined from Rs.27,021/unit in FY2022 to Rs.25,363.40/unit in FY2024. The firm reported thin EBITDA and PAT margins of 1.28% and 0.23% respectively in FY2024 due to stiff competition.

- **Moderate financial risk profile:**

The Tangible net worth of the firm stood moderate at Rs.35.17 crore in FY2024. The overall gearing ratio has improved from 3.00x in FY2023 to 2.66x in FY2024 and TOL/TNW from 3.36x in FY2023 to 2.68x in FY2024 but still remained at moderate level. Further, the debt protection metrics of the firm stood moderate marked by interest service coverage ratio (ISCR) at 1.23x in FY2024 (1.27x in FY2023) and debt service coverage ratio (DSCR) remained below unity at 0.88x in FY2024 (0.92x in FY2023) due to high repayment of terms loans.

- **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:

[Rating Methodology for Trading Entities](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

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

Liquidity – Stretched

The liquidity position of the firm appears to be stretched marked by its gross cash accruals is Rs.1.95 crore as compared to its debt repayment obligations of Rs.3.34 crore in FY2024. Moreover, the firm is expecting the gross cash accruals in the range of Rs.2.56 crore to Rs.3.24 crore as against the repayment obligations in the range of Rs.5.75 crore to Rs.2.42 crore during the projected year from FY2025-27. The average utilization of fund-based bank limits remained high at ~88% during the past 12 months ending November 2024 indicating limited buffer to meet incremental working capital requirements.



Press Release

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 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	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	984.61	786.63
EBITDA	8.97	10.05
PAT	1.64	1.81
Total Debt	98.68	93.52
Tangible Net worth	32.88	35.17
EBITDA Margin (%)	0.91	1.28
PAT Margin (%)	0.17	0.23
Overall Gearing Ratio (x)	3.00	2.66
Interest Coverage Ratio (x)	1.27	1.23

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Brickwork Ratings India Private Limited vide press release dated December 19, 2024, has categorised the rating under "ISSUER NOT COOPERATING" due to non-submission of information.

Any other information: Not Applicable



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	Ratings (October 17, 2024)	Date(s) & Rating(s) assigned in 2023-24		Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
						(September 14, 2023)	(July 24, 2023)	(May 05, 2022)	
1.	Fund Based	Long Term	63.00	IVR BB/Stable	IVR BB/Negative/INC*	IVR BB+/Stable	IVR BB+/Negative/INC*	IVR BBB-/Stable	-
2.	Fund Based	Short Term	12.00	IVR A4	-	-	-	-	-

**Issuer not cooperating; Based on best available information.*

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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.



Press Release

For more information visit www.infomerics.com.

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Annexure 1: Instruments/Facilities Details:

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	63.00	IVR BB/Stable
EPC/PCFC	-	-	-	-	12.00	IVR A4

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-DinDayal-jan25.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined 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 [Complexity Level of Rated Instruments/Facilities](#).