

Press Release

Dhar Coal Products Private Limited

August 16, 2021

Rating Withdrawn

Total Bank Facilities Rated*	Rs.55.00 Cr.
Long Term Rating	ACUITE BB- (Upgraded and Withdrawn)
Short Term Rating	ACUITE A4 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded and withdrawn the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and withdrawn the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.55.00 Cr. bank facilities of Dhar Coal Products Private Limited (DCP).

The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuité's policy on withdrawal of ratings.

The rating upgrade is driven by improvement in the financial risk profile marked by improvement in gearing and coverage indicators, and the business risk profile marked by improvement in profitability indicators on a Y-O-Y basis.

About the Entity

Dhar Coal Products Private Limited (DCP) is a Madhya Pradesh-based company promoted by Mr. Parasmal Deshlehra and his family. The company is engaged in trading of steam coal of various grades. It is a part of the Deshlahra Group, which was established in 1985. DCP renders services to the end users in power, steel, paper, sugar and other allied sectors by importing coal from Indonesia and South Africa.

Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of DCP to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

DCP was incorporated in 1991 and is supported by promoters' experience and operational track record of more than three decades in the coal industry. Further, DCP is ably assisted by an experienced second line of management.

- **Moderate Financial risk profile**

DCP's financial risk profile is moderate marked by tangible net worth of Rs.42.64 Cr. as on March 31, 2021 (Provisional) as against Rs.34.15 Cr. in the previous year. The improvement in net worth is on account of accretion of reserves. The gearing stood low at 0.19 times as on March 31, 2021 (Provisional) as against 0.24 times in the previous year. The debt profile consists of Rs.8.18 Cr. comprising of unsecured loans from the promoters. Further, the company avails Non-fund based exposure of Rs.50.00 Cr. which are seen under creditors as they are LC backed. The Interest Coverage Ratio (ICR) stood at 6.37 times in FY2021 (Provisional) as against 3.53 times in FY2020. The total outside liabilities to tangible net worth (TOL/TNW) stood at 2.40 times as on March 31, 2021 (Provisional) as against 2.04 times in FY2020. The net cash accruals to total debt (NCA/TD) stood high at 1.04 times in FY2021 (Provisional) compared to 0.88 times in FY2020.

Weaknesses

- **Intensive Working capital requirements**

DCP's operations are working capital intensive marked by high Gross Current Assets (GCA) of 250 days in

FY2021 (Provisional) as compared to 118 days in FY2020. The GCA days are mainly dominated by high collection period of 115 days in FY2021 (Provisional) compared to 77 days in FY2020. The inventory holding period stood high at 58 days in FY2021 (Provisional) compared to 19 days in FY2020. While the creditor days stood at 208 days in FY2021 (Provisional) as against 105 days in FY2020.

• Susceptibility to fluctuations in demand and intense competition

The company's profitability remains restricted due to the trading nature of business with low value addition. DCP further faces intense competition from organised and unorganised traders, which limits its pricing flexibility and bargaining power with customers. Further, the company's purchases are not order backed, which exposes it to price risks.

• Exposure to foreign currency fluctuation risks

DCP mainly trades coal imported from Indonesia and South Africa, etc. This exposes the company to risks associated with foreign currency fluctuations. Although a large part of its imports is hedged, DCP's margins remain exposed to any adverse movement in foreign exchange rates to the extent of its unhedged imports.

Liquidity position: Adequate

DCP's liquidity position is adequate marked by no long-term repayment obligations and has ~75 percent utilisation of its fund based limits for the 6-month period ending in July 2021. However, the LC's utilisation remains high, and it often has to use LCs at 100% cash margins, which results in putting stress on its liquidity position.

Rating Sensitivities

Not Applicable

Material Covenants

None

Outlook

Not Applicable

About the Rated Entity - Key Financials

Particulars	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	155.70	207.74
PAT	Rs. Cr.	8.49	7.18
PAT Margin	(%)	5.45	3.46
Total Debt/Tangible Net Worth	Times	0.19	0.24
PBDIT/Interest	Times	6.37	3.53

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Jun-2021	Cash Credit	Long Term	5.00	ACUITE B+ (Downgraded & Indicative)
	Letter of Credit	Short Term	50.00	ACUITE A4 (Indicative)
20-Mar-2020	Cash Credit	Long Term	5.00	ACUITE BB- (Downgraded & Indicative)
	Letter of Credit	Short Term	50.00	ACUITE A4 (Downgraded & Indicative)
10-Jan-2019	Cash Credit	Long Term	5.00	ACUITE BB / Stable (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A4+ (Reaffirmed)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank of Maharashtra	Cash Credit	Not Applicable	Not Available	Not Applicable	5.00	ACUITE BB- (Upgraded & Withdrawn)
Bank of Maharashtra	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A4 (Withdrawn)

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About Acuité Ratings & Research:

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