

Press Release

DHANCOT FIBRES PRIVATE LIMITED

23 November, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 45.00 Cr.
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 45.00 crore bank facilities of DHANCOT FIBRES PRIVATE LIMITED.

The Kolkata-based Dhancot Fibres Private Limited (DFPL), established in 1992 is engaged in the export of raw cotton bales. The company is headed by Mr. Pravesh Dhandhanania.

Key Rating Drivers

Strengths

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

DFPL is engaged in the export of raw cotton bales since 1992. It is led by Mr. Pravesh Dhandhanania who possesses extensive experience in the industry.,

- **Above average financial risk profile**

The financial risk profile is average marked by healthy net worth of Rs 42.70 crore in FY2017, an increase from Rs.40.84 crore in FY2016, mainly due to retention of current year profit. The debt- equity ratio has been comfortable at 0.47 times in FY2017. The debt profile of the company mainly includes short term debt from banks. The Interest coverage ratio stood at a healthy 3.09 times and debt service coverage ratio of 2.31 times in FY2017. The NCA/TD stands at a moderate 0.10 times in FY2017. The Total outside liability against tangible net worth stood comfortable at 0.60 times in FY2017.

Weaknesses

- **Geographical concentration risk**

DFPL is exposed to geographical concentration risk as the company realises around 90 revenue from export of cotton bales to ginneries in Bangladesh and the balance from export to Pakistan, China and Vietnam.

- **Competitive and fragmented industry**

The company operates in a highly competitive textile industry with intense competition from organised and unorganised players which limits the bargaining power of the company.

- **Agro climatic risks**

Cotton, the main raw material required for cotton bales is a seasonal crop and production of the same is highly dependent on the monsoon. Thus, inadequate rainfall may affect the availability of cotton in adverse weather conditions.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of DFPL.

About the Rated Entity - Key Financials

For FY2016-17, DFPL reported profit after tax (PAT) of Rs 1.86 crore on total operating income of Rs.178.99 crore, compared with PAT of Rs.1.03 crore on total operating income of Rs.185.35 crore in FY2015-16. The tangible net worth stood at a healthy Rs.42.70 crore in FY2017.

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	45.00	SMERA A4

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