# Press Release

## DHANPATI AGRO UDYOG PRIVATE LIMITED

16 February, 2018

**Rating Assigned**

| | |
|---|---|
| **Total Bank Facilities Rated*** | Rs. 8.04 Cr. |
| **Long Term Rating** | SMERA B+ / Outlook: Stable |

** Refer Annexure for details*

**Rating Rationale**

SMERA has assigned long-term rating of '**SMERA B+**' **(read as SMERA B plus)** on the Rs. 8.04 crore bank facilities of DHANPATI AGRO UDYOG PRIVATE LIMITED. The outlook is **'Stable'**.

The Uttar Pradesh-based Dhanpati Agro Udyog Private Limited (DAUPL) incorporated in 2010, was promoted by Mr. Subhash Chand Jaiswal and Mr. Brahma Nand Jaiswal. The company is engaged in rice milling and procures raw material - paddy from local farmers at Gorakhpur. The installed capacity stands at 160 tonnes of paddy per day.

## Key Rating Drivers

### Strengths

- **Experienced management**
  The promoters, Mr. Subhash Chand Jaiswal and Mr. Brahma Nand Jaiswal have extensive experience in the industry. This has helped the company establish healthy relations with customers.

- **Proximity to raw material source**
  The processing facility is located at Gorakhpur, Uttar Pradesh - one of the major rice producing states in India thus enabling proximity to raw material.

### Weaknesses

- **Below average financial risk profile**
  The financial risk profile of the company continues to remain below average marked by low networth, high gearing and moderate debt protection matrices. The net worth stood at Rs. 3.62 crore as on 31 March, 2017 as against Rs. 2.69 crore in the previous year. SMERA has considered Rs.0.50 crore of unsecured loans from related parties as quasi equity as it is subordinated to bank debt. The gearing levels stood at 2.22 times as on 31 March, 2017 as against 3.50 times in the previous year. The Interest Coverage Ratio stood at 1.49 times as on FY2017 as against 1.60 times as on FY2016. The TOL/TNW has been high at 2.71 times as on FY2017 as against 3.71 times as on FY2016.

- **Working capital intensive operations**
  The operations are working capital intensive marked by Gross Current Asset (GCA) days of 234 in FY2016 as against 287 days in the previous year. This is due to increase in debtor days to 119 days in FY2016-17 as against 88 days in the previous year. Moreover, the procurement of raw materials (paddy) is seasonal i.e. during the month of November to January leading to high inventory days of 102 for FY2017 and 129 days for FY2016. Further, the liquidity position of the company is stretched with cash credit limit being fully utilised for the last six months ended November 2017.

- **Agro climatic risks**
  Paddy, the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon the monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

- **Competitive and fragmented nature of rice milling business**
  Rice milling is a highly competitive industry due to low entry barriers which results in intense competition from both, the organised as well as unorganised players.

## Analytical Approach
SMERA has considered the standalone financials of the company.

## Outlook: Stable
SMERA believes that the outlook for DAUPL will remain stable over the medium term on account of the management's extensive experience in the business. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in its financial risk profile.

## About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 16.62 | 13.02 | 16.01 |
| EBITDA | Rs. Cr. | 1.47 | 1.42 | 1.49 |
| PAT | Rs. Cr. | 0.06 | 0.07 | 0.04 |
| EBITDA Margin | (%) | 8.83 | 10.90 | 9.31 |
| PAT Margin | (%) | 0.33 | 0.54 | 0.27 |
| ROCE | (%) | 8.94 | 8.57 | 18.79 |
| Total Debt/Tangible Net Worth | Times | 2.22 | 3.50 | 3.38 |
| PBDIT/Interest | Times | 1.49 | 1.60 | 1.98 |
| Total Debt/PBDIT | Times | 5.48 | 6.65 | 4.85 |
| Gross Current Assets (Days) | Days | 234 | 287 | 160 |

## Status of non-cooperation with previous CRA (if applicable)
On August 29, 2017 CRISIL has migrated Dhanpati Agro Udyog Private Limited's (DAUPL) Long Term Issuer Rating to the non-cooperating category.

## Any other information
None

**Applicable Criteria**

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.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 |
|---|---|---|---|---|---|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 6.50 | SMERA B+ / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 1.54 | SMERA B+ / Stable |

## Contacts



| Analytical | Rating Desk |
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## ABOUT SMERA

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