

Press Release

Dhumal Industries India Private Limited



D-U-N-S® Number: 91-666-8101

April 09, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 crore
Long Term Rating	ACUITE BBB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB+**' (**read as ACUITE triple B plus**) to the Rs. 10.00 crore bank facilities of Dhumal Industries India Private Limited (DIPL). The outlook is '**Stable**'.

DIPL (Erstwhile known as Dhumal Plasson Equipments India Private Limited), incorporated in 1999, is promoted by Mr. Anil Dhumal, Ms. Tova Posner Henkin and Mrs. Shailaja Anil Dhumal. The company is engaged in designing, manufacturing and supplying of poultry equipment such as drinking and feeding system. Later, Mr. Akshay Anil Dhumal joined the company as a Director.

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of Dhumal Industries India Private Limited and Dhumal Industries, collectively referred to as 'Dhumal Industries Group'. The consolidation is on account of common management, same value chain with business line synergies within the group and management stated posture of extending support within the group companies. Extent of consolidation: full.

Key Rating Drivers

Strengths

Experienced management

Dhumal Industries Group is promoted by Mr. Anil Dhumal, Ms. Tova Posner Henkin and Mrs. Shailaja Anil Dhumal. The Managing Director, Mr. Anil Dhumal (partner in Dhumal Industries established in 1979) started the Dhumal Plasson Equipments India Private Limited in 1999 in collaboration with Plasson Industries Limited for designing, manufacturing and supplying of poultry equipment. Ms. Tova Posner Henkin has a vast experience in this industry through his position as a CEO of Plasson Industries Limited. Thus, the company's promoter has vast experience of around four decades in this industry. Over the years, the promoters have built strong customer base, resulting in repeat orders and has also ventured into global markets.

Healthy financial risk profile

Dhumal Industries Group has healthy financial risk profile marked by healthy net worth, low gearing and healthy debt protection metrics. The net worth stood at Rs.54.34 crore as on March 31, 2018, which has witnessed sequential improvement from Rs.48.98 crore as on March 31, 2017. The accretion to net worth was mainly on account of steady operating profitability leading to higher accretion to reserves. The group has followed a conservative financial policy in the past as reflected by its peak gearing of 0.14 times over the last three years through 2017-18. The gearing of the group stood low at 0.14 times as on March 31, 2018. The total outside liabilities to tangible net worth ratio also stood at around 0.27 times as on March 31, 2018. The total debt of Rs.7.41 crore includes unsecured loan of Rs.0.57 crore, Government incentive for sales tax of Rs.4.58 crore, car loan of Rs.0.76 crore and solar power project loan of Rs.1.50 crore. DIPL has not availed working capital loans in current year as well as previous year. Further, the company has proposed term loan of Rs.5.00 crore for setting up solar power plant.

The interest coverage ratio (ICR) of the company stood healthy at around 165.56 times and the net cash accruals to total debt stood moderate at 2.35 times as on March 31, 2018. The debt service coverage ratio (DSCR) stood at 32.03 times for FY2018. The group's annual net cash accruals (PAT + Depreciation) were

~Rs.17.37 crore for FY2018 and is expected to be in same range against which it had annual repayment obligations of ~Rs.1.33-2.44 crore. Acuité believes that Dhumal Industries group will maintain a healthy financial risk profile on the back of experienced promoters, sustenance of its profitability margins and conservative financial policy.

Weaknesses

Modest scale of operations

The scale of operations remained modest with revenue of Rs.67.83 crore in FY2018 as against Rs.50.50 crore in FY2017. For the current year, the group has booked Rs.55.42 crore for the period of April to December, 2018 and is expecting revenue of Rs.~80 crore for FY2019.

Susceptibility to volatile raw material prices

Profitability remains susceptible to volatile raw material prices, which account for significant portion of the cost of sales and fluctuation in foreign exchange rates. Moreover, exposure to intense competition and lack of bargaining power also limits the company's ability to pass on the hike to large customers.

Liquidity Position:

Dhumal Industries Group has healthy liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.9.90-17.37 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.34-0.71 crore over the same period. The cash accruals of the group are estimated to remain around Rs.16.95-22.00 crore during 2019-21, while its repayment obligations are estimated to be around Rs.1.33-2.44 crore. The group's operations are moderately working capital intensive as marked by Gross Current Assets (GCA) of 171 days in FY 2018.

The company has lower reliance on working capital borrowings as the cash credit limit in the group remains unutilised during the last 12-month period ended December 2018. The group maintains unencumbered cash and bank balances of Rs.3.93 crore as on March 31, 2018. The current ratio of the group stood healthy at 5.73 times as on March 31, 2018. The group is undertaking capex of Rs.6.50 crore over the medium term which is likely to be funded by external borrowing of Rs.5.00 crore and remaining by internal accruals. Acuité believes that the liquidity of the group is likely to remain healthy over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that Dhumal Industries group will maintain a 'Stable' outlook and continue to benefit over the medium term on account of its established presence in the poultry equipment industry and experienced management. The outlook may be revised to 'Positive' in case of higher-than-expected revenues and cash accruals while demonstrating improvement in working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue or profitability or net cash accruals leading to significant stretch in the company's working capital cycle or higher than expected debt funded capex.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	67.83	50.50	42.59
EBITDA	Rs. Cr.	17.68	15.14	10.53
PAT	Rs. Cr.	16.22	13.20	9.00
EBITDA Margin	(%)	26.07	29.98	24.73
PAT Margin	(%)	23.91	26.13	21.12
ROCE	(%)	29.88	27.26	39.11
Total Debt/Tangible Net Worth	Times	0.14	0.12	0.15
PBDIT/Interest	Times	165.56	249.14	193.50
Total Debt/PBDIT	Times	0.40	0.36	0.61
Gross Current Assets (Days)	Days	171	200	245

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies- <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.80	ACUITE BBB+/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.07	ACUITE BBB+/ Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	7.13	ACUITE BBB+/ Stable

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About Acuité Ratings & Research:

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