



Press Release
Dalmia Laminators Limited
August 12, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	236.17	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	37.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	273.17	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 273.17 crore bank facilities of Dalmia Laminators Limited (DLL). The outlook remains '**Stable**'.

Rationale for rating

The rating takes into cognizance the stable business risk profile of the group buoyed by its healthy revenue of Rs. 501.72 crore in FY2024 (Prov.) albeit slight decline from FY2023 Rs. 523.48 crore and improvement in operating margin. The revenues have declined primarily since the prices of polymer and tea in the market have corrected itself in FY2023 and FY2024. Furthermore, the profitability of the group has increased despite the declining trend of revenues due to better absorption of prices and better price realisation in teas during past two years. Additionally, the group is into continuous capex to enhance the overall replantation of the tea companies and capacities in woven sacks business which will augment both the topline and profitability. The rating is also supported by the management's long-standing experience and healthy financial position characterized by improving debt coverage indicators. The company's liquidity is further supported by healthy cash accruals, absence of any major debt funded capex plans, minimal debt obligations, moderate current ratio. These strengths are however, partly offset by the intensive working capital management of the group and cyclical nature of the industry.

About Company

Established in 1986 Kolkata based, Dalmia Laminators Limited (DLL) have two units in Tamil Nadu and one in Andhra Pradesh manufacturing Plastic Woven Sacks (PWS) used for bulk packaging of cement, fertilizers, food grains and sugar, chemicals, polymers and other commodities. Mr. Manish Dalmia, Mr. Rajinder Prasad Jain, Mr. Vijay Dalmia, Mr. Girdhar Gopal Dalmia, Mr. Parekh Mani Baro and Ms. Sonam Jalan are the directors of the company.

About the Group

Established in 1997 Kolkata based, Dalmia Tea Plantation and Industries Limited (DTPIL) is one of India's leading tea cultivating, manufacturing, and processing company owning the most well equipped tea manufacturing plants in West Bengal. It has an annual capacity of ~ 10.50 million kgs per annum. Mr. Manish Dalmia, Mr. Rajinder Prasad Jain, Mr. Vijay Dalmia, Mr. Girdhar Gopal Dalmia, Mr. Parekh Mani Baro and Ms. Sonam Jalan are the directors of the company.

Established in 1919 Calcutta based, Bateli Tea Company Limited (BTCL), is a premium tea

producing and marketing company, having a large tea plantation and manufacturing unit in Assam, with an annual capacity of producing ~ 4.00 million kgs per annum. Around 35 per cent of the tea is produced from the green leaves internally, and the rest 65 per cent is purchased from the neighbouring tea producers. Mr. Manish Dalmia, Mr. Rajinder Prasad Jain, Mr. Vijay Dalmia, Mr. Girdhar Gopal Dalmia, Mr. Parekh Mani Baro and Ms. Sonam Jalan are the directors of the company.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Dalmia Laminators Limited (DLL) and its associates-Dalmia Tea Plantations and Industries Limited (DTPIL), and Bateli Tea Company Limited (BTCL) are together referred as 'M L Dalmia Group'. The consolidation factors the common promoters and management, intercompany share holdings, and strong financial linkages between the entities in the form of unsecured loans extended to each other.

Key Rating Drivers

Strengths

Established and a diverse business profile

The M L Dalmia Group has been in the PP Woven Sacks segment for around 50 years. The sacks are sold to the end-user industries such as cement, food grain, and fertilizer. The other two group companies, DTPIL and BTCL, are involved in the production and processing of tea having their own estates. The wide experience of the directors helps promoting the group to establish a strong position in the tea industry and maintain substantial growth in the revenue. The company is also increasing its tea segments with premium corporate clients for bulk selling. The group will continue to maintain its business risk profile over the medium term aided by its long-standing relationships with reputed customers and suppliers.

Steady growth in operating income of the group supported by modest operating margins

The group has registered revenues of Rs. 501.72 crore in FY2024 (Prov.) and Rs. 523.48 crore in FY2023 as compared to Rs. 553.51 crore in FY2022. The revenue of DLL has decreased to Rs. 326.46 crore in FY2024 (Prov.), and Rs. 358.92 crore in FY2023 as against Rs. 367.75 crore in FY2022 on account of price realisation. DTPIL's revenue has decreased to Rs. 94.34 crore in FY2024 (Prov.) and Rs. 98.62 crore in FY2023 as compared to Rs. 113.37 crore in FY2022 on the account of falling prices of tea in the West Bengal. Whereas for BTCL revenue has increased by ~ 23 percent in FY2024 to Rs. 80.92 crore in FY2024 (Prov.) and Rs. 65.95 crore in FY2023 as compared to Rs. 72.39 crore because of improving tea prices in Assam.

The operating margin of the group has increased to 15.97 percent in FY2024 (Prov.) and 14.28 percent in FY2023 from 13.05 percent in FY2022 due to better operational efficiencies. Also, the PAT margin of the group has increased to 4.02 percent in FY2024 (Prov.) and 3.36 percent in FY2023 from 2.86 percent in FY2022. In the last two years, DLL's margins have improved as a result of lower raw material costs. However, DLL's profitability margins are susceptible to volatility in price of raw materials, which include crude oil derivatives used to make industrial plastics like high density polyethylene, low density polyethylene, and polypropylene and would continue to maintain a key monitorable. The group also sources around 85 percent of the necessary tea leaves from other tea growers, functioning as a partially integrated tea manufacturer. A high percentage of acquiring bought leaf leads to maintaining a modest

operating margin and reduces the risks related to tea plantation companies' fixed cost of production. The last two years have seen a steady growth in DTPIL's profitability margin due to reduction in the material costs. Furthermore, BTCL's profitability margins have increased in FY2024 and FY2023 over FY2022 due to lower material costs, higher tea prices, and higher sales volume.

The Return on Capital Employed (ROCE) of the group stood moderate at 7.83 percent as on FY2024 (Prov.) and 7.99 percent in FY2023 as compared to 8.30 percent as on FY2022. The diversified product range of the group will help to maintain its business risk profile over the medium term.

Average financial risk profile

The group's average financial risk profile is marked by healthy networth base, moderate gearing and modest debt protection metrics. The net worth of the group improved to Rs. 416.10 crore as on March 31, 2024 (Prov) from Rs. 370.59 crore as on March 31, 2023 due to accretion of reserves. Gearing of the group has improved in the last two years and stood below unity levels for FY2024 (Prov.) and FY2023 from 1.10 times in FY2022 due to substantial reliance on external debt to support the working capital requirements largely through guaranteed emergency credit line (GECL) since FY2021. However, the promoters have extended significant financial support to the group, via unsecured loans to cover working capital and debt obligations. Acuité has considered unsecured loans of Rs. 123.35 crore as on FY2024 (Prov.) and Rs. 98.13 crore as on FY2023, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved to 1.06 times in FY2024 (Prov.) and 1.10 times in FY2023 as against 1.39 times in FY2022. The debt protection metrics of the group have improved in FY2024 (Prov.) as reflected from Interest Coverage Ratio of 2.34 times and Debt Service Coverage Ratio of 1.03 times. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.13 times in FY2024 (Prov). Acuité believes that going forward, despite having continuous capex towards replantation to ride-out the adversity of the age profile of the tea-bushes, the financial risk profile of the group will remain healthy backed by steady accruals.

Weaknesses

Intensive nature of working capital of operations

The working capital intensive nature of operations of the group is reflected from increase in GCA days of 217 days as on March 31, 2024(Prov) and 174 days as on March 31, 2023 as compared to 167 days as on March 31, 2022. The high GCA days are on account of high inventory period of the group which stood at 154 days in FY2024 (Prov.) and 137 days in FY2023 as compared to 121 days in FY2022. The inventory levels of the tea companies are usually high as it is a seasonal business, the company must keep significant inventory during the year to mitigate the risk of low production. The high inventory period of DLL is mainly driven by high inventory requirements in line with its delivery service to the prominent clients in its portfolio on a timely basis, and hence the requirement to maintain the inventory. However, debtor collection days of the group is increasing but comfortable at 59 days in FY2024 (Prov.) and 43 days in FY2023 compared to 49 days in FY2022. Creditor days of the group has increased to 41 days in FY2024 (Prov.) and 33 days in FY2023 compared to 27 days in FY2022. Going forward, Acuité believes that the working capital management of the company will remain at similar levels as evident from efficient collection mechanism and high level of inventory period over the medium term.

Rating Sensitivities

- Sustainability in revenue growth and margins.
- Further elongation of working capital cycle.
- Improvement in capital structure and debt protection metrics.

Liquidity Position

Adequate

The group's liquidity is adequate marked by adequate net cash accruals which stood at Rs. 44.05 crore in FY2024 (Prov.) as against long term debt repayment of Rs. 41.77 crore over the same period. The current ratio stood moderate at 1.18 times as on March 31, 2024 (Prov). The cash and bank balances of the group stood at Rs. 10.91 crore as on March 31, 2024 (Prov). Repayments for FY2023 and FY2022 was on the higher side because of GECL debts availed by the group in the COVID, though in the current year. Also, the quantum of repayments is declining gradually with no major anticipated term loans to be taken by the group. However, due to operations being working capital intensive there is significant dependence on external debt to fund its working capital requirements which is reflected in average fund-based limit utilization at ~ 82.82 percent over the six months ended April, 2024. Acuité believes that going forward the group will maintain adequate liquidity position due to steady accruals support from the promoters through unsecured loans further aids liquidity.

Outlook: Stable

Acuité believes that the outlook on M L Dalmia Group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business risk profile and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins, or in case of deterioration in the group's financial risk profile or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	501.72	523.48
PAT	Rs. Cr.	20.19	17.61
PAT Margin	(%)	4.02	3.36
Total Debt/Tangible Net Worth	Times	0.81	0.85
PBDIT/Interest	Times	2.34	2.23

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 May 2023	Cash Credit	Long Term	6.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	10.00	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	5.60	ACUITE BBB Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.84	ACUITE BBB Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	8.65	ACUITE BBB Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	26.94	ACUITE BBB Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	5.39	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	77.75	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	3.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	3.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	22.82	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	10.68	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	24.50	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	20.00	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	10.00	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	2.60	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	4.25	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	88.25	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	11.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Assigned)
		Long		ACUITE BBB Stable

04 Mar 2022	Cash Credit	Term	6.00	(Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	24.50	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	13.50	ACUITE BBB Stable (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	10.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	12.00	ACUITE A3+ (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	3.00	ACUITE A3+ (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	5.00	ACUITE A3+ (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A3+ (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	3.00	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
UCO Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A3+ Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A3+ Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.50	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.00	ACUITE BBB Stable Reaffirmed
UCO Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.82	ACUITE BBB Stable Reaffirmed
UCO Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.68	ACUITE BBB Stable Reaffirmed
Central Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	01 Jan 2022	Not avl. / Not appl.	01 Jan 2028	Simple	2.60	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	01 Dec 2021	Not avl. / Not appl.	01 Dec 2027	Simple	11.71	ACUITE BBB Stable Reaffirmed

State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	01 Jan 2021	Not avl. / Not appl.	01 Dec 2025	Simple	1.78	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	01 Dec 2020	Not avl. / Not appl.	01 Jan 2026	Simple	1.19	ACUITE BBB Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	01 Dec 2020	Not avl. / Not appl.	01 Nov 2026	Simple	7.65	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	01 Dec 2020	Not avl. / Not appl.	01 Jan 2026	Simple	9.16	ACUITE BBB Stable Reaffirmed
UCO Bank	Not avl. / Not appl.	Covid Emergency Line.	01 May 2022	Not avl. / Not appl.	01 Feb 2028	Simple	5.15	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.68	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Term Loan	01 Mar 2021	Not avl. / Not appl.	01 Dec 2027	Simple	64.25	ACUITE BBB Stable Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company Name
1	Dalmia Laminators Limited
2	Dalmia Tea Plantation and Industries Limited
3	Bateli Tea Company Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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