

## Press Release

Dozco India Private Limited

May 03, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	135.69	ACUITE A-   Stable   Assigned	-
Bank Loan Ratings	94.31	-	ACUITE A2+   Assigned
Total Outstanding Quantum (Rs. Cr)	230.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE A-**' (read as ACUITE A minus) and short-term rating of '**ACUITE A2+**' (read as ACUITE A two plus) on the Rs.230.00 Cr bank facilities of Dozco India Private Limited (DIPL). The outlook is '**Stable**'.

The rating is driven by the strong business risk profile supported by geographical diversification. The rating also factors the experienced management and healthy financial risk profile of the company marked by healthy debt coverage indicators. These strengths are, however, partly offset by the working capital intensive nature of operations of the company.

## About the Company

Incorporated in 1992, Dozco India Private Limited (DIPL) is engaged in trading of heavy earth moving & construction equipment (HEMM), and its spare parts and manufacturing of mining equipments. DIPL, with corporate office in Vizag, is promoted by the Bangur family and the company is currently headed by Mr. Radhe Shyam Bangur, Mr. Shiv Kumar Bangur, Mr. Om Prakash Bangur, Mr. Ramesh Kumar Bangur, Mr. Nand Gopal Bangur and Mr. Kamal Kishore Bangur. The company had also set up a manufacturing plant in the year 2013 to manufacture Rock-Breakers (hammers), Chisels, Buckets, Hydraulic Quick Couplers, Undercarriages and other equipment for the mining and material handling industry.

## Analytical Approach

Acuite has considered the standalone financial and business risk profile of Dozco India Private Limited (DIPL).

## Key Rating Drivers

### Strengths

- Long operational track record and experienced management

The directors of the company, Mr. Radhe Shyam Bangur, Mr. Shiv Kumar Bangur, Mr. Om

Prakash Bangur, Mr. Ramesh Kumar Bangur, Mr. Nand Gopal Bangur and Mr. Kamal Kishore Bangur, have been in the industry for around four decades. Acuité derives comfort from the long experience of the promoters. DIPL has a long operational track record of around four decades in the mining industry. Acuité believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Strong business risk profile buoyed by geographical diversification and strong customer base**

The strong business risk profile of DIPL is primarily on account of geographical diversification and strong network base. DIPL has a diversified customer base across India. The company also exports to various countries namely Australia, Vietnam, Sri Lanka, Bhutan, Nepal and Bangladesh. The company has achieved revenues of Rs.301.74 Cr in FY21 as compared to Rs.246.86 Cr in FY20 thereby registering a y-o-y growth of 22 per cent. Further, the company has achieved revenues of Rs.309 Cr (provisional) in FY22. The growth in top line is due to the increase in sale of HEMM machineries and mining equipment along with the spare parts business. Acuité believes that going forward, the geographical presence of the company along with, the extensive network base will benefit the company resulting in improvement of the scale of operations.

- **Improvement in the profitability margins**

DIPL has achieved operating margin of 11.60 per cent in FY21 as compared to 14.43 per cent in FY20. The PAT margin for FY21 stood at 3.23 per cent as compared to 4.53 per cent in FY20. The decline in the margins was due to the increase in the freight rate on imports of HEMM machineries. Moreover, for FY22 the operating margin increased to 15.10 per cent (provisional) and PAT margin rose to 5.30 per cent (provisional). The rise in margin is on account of the increase in average realizations of HEMM machineries and mining equipment. Acuité believes that going forward, the profitability margins of the company will be a key area monitorable.

- **Healthy financial risk profile**

The company's financial risk profile is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth (TNW) of the company increased to Rs.209.79 Cr as on March 31, 2021 from Rs.197.09 Cr as on March 31, 2020 due to accretion of reserves. Acuité has considered unsecured loans of Rs.38.60 Cr as on March 31, 2021, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the company stood comfortable at 0.46 times as on March 31, 2021 as against 0.57 times as on March 31, 2020. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.75 times as on March 31, 2021 as against 0.79 times as on March 31, 2020. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 2.31 times as on March 31, 2021, however, the Debt Service Coverage Ratio (DSCR) stood at a moderate level of 1.29 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.18 times as on March 31, 2021. Acuité believes that going forward the financial risk profile of the company will remain healthy over the medium term, in the absence of any major debt funded capex plans.

## **Weaknesses**

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 332 days as on 31 st March 2021 as compared to 391 days as on 31 st March 2020. The high level of GCA days is primarily on account of high inventory levels during the same period. The inventory holding stood at 277 days in 31st March 2021 as compared to 365 days as on 31st March 2020. This high inventory level is because the spare parts of all brands and models are kept in stock as these are imported and have high lead time. However, the debtor period stood comfortable at 77 days as on 31st March 2021 as compared to 75 days as on 31st March 2020. Acuité believes that the working capital

operations of the firm will remain almost at the same levels over the medium term due to the high levels of inventory holding.

### Rating Sensitivities

- Growth in operating income while sustaining the current profitability
- Elongation in working capital cycle

### Material covenants

None

### Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.17.33 Cr as on March 31, 2021 as against long term debt repayment of Rs.9.76 Cr over the same period. The current ratio stood comfortable at 2.00 times as on March 31, 2021 as compared to 1.91 times as on March 31, 2020. The company has not availed any loan moratorium. The cash and bank balances of the company stood at Rs.6.98 Cr as on March 31, 2021. The fund based limit utilization stood moderate at 84 per cent over the eleven months ended February, 2022. However, the working capital nature of operations of the company is intensive, marked by Gross Current Assets (GCA) of 332 days as on 31st March 2021 as compared to 391 days as on 31st March 2020. Acuite believes that going forward the company will maintain adequate liquidity position due to steady accruals.

### Outlook: Stable

Acuite believes that the outlook on DIPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, strong business risk profile and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	301.74	246.86
PAT	Rs. Cr.	9.73	11.18
PAT Margin	(%)	3.23	4.53
Total Debt/Tangible Net Worth	Times	0.46	0.57
PBDIT/Interest	Times	2.31	2.06

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

CARE, vide its press release dated March 06, 2017 had denoted the rating of Dozco India Private Limited as 'CARE BBB-/Reaffirmed/A3; ISSUER NOT COOPERATING'.

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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 (Up to last three years)**

Not Applicable

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A2+   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A-   Stable   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	26.50	ACUITE A-   Stable   Assigned
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A-   Stable   Assigned
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A-   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE A-   Stable   Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	3.24	ACUITE A-   Stable   Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A-   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A-   Stable   Assigned
ICICI Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	2.16	ACUITE A-   Stable   Assigned
Small Industries Development Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	5.13	ACUITE A-   Stable   Assigned
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE A2+   Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	27.50	ACUITE A2+   Assigned

HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A2+   Assigned
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A2+   Assigned
ICICI Bank Ltd	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.65	ACUITE A2+   Assigned
HDFC Bank Ltd	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.71	ACUITE A2+   Assigned
State Bank of India	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.55	ACUITE A2+   Assigned
Indusind Bank Ltd	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.40	ACUITE A2+   Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	1.38	ACUITE A-   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	7.07	ACUITE A-   Stable   Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	1.60	ACUITE A-   Stable   Assigned
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	13.61	ACUITE A-   Stable   Assigned

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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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