



Press Release
Dozco India Private Limited
June 26, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	124.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	106.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	230.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and also reaffirmed its short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) on the Rs. 230 crore bank facilities of Dozco India Private Limited (DIPL). The outlook is '**Stable**'.

Rationale for rating

The rating reflects a stable business risk profile of the company by marked an increase in topline from Rs. 386.63 Cr. in FY23 to Rs. 455 Cr. in FY24 (provisional). However, there is a declining trend in the operating margin from 10.65 percent in FY23 to 9.45 percent in FY24(provisional). It is restricted to higher revenue share from trading business and a slightly improved but stretched operating cycle. The improvement in the working capital cycle is largely due to reduced inventory levels of the Company to 217 days in FY24(provisional) due to decrease in maintenance of stocks. The financial risk profile has remained healthy, with gearing below unity and steady debt coverage indicators. The ratings continue to draw comfort from the experienced management, wide distribution network, and long-standing relationships with suppliers and customers.

About the Company

Incorporated in 1992, Dozco India Private Limited (DIPL) is engaged in the trading of heavy earth moving and construction equipment (HEMM) and its spare parts and the manufacturing of mining equipment. DIPL, with a 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 also set up a manufacturing plant in 2013 to manufacture rockbreakers (hammers), chisels, buckets, hydraulic quick couplers, undercarriages, and other equipment for the mining and material handling industries.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone financial and business risk profile of Dozco India Private Limited (DIPL) to arrive at the rating.

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. DIPL has a long operational track record of 38 years in the mining industry. Acuité believes that the long track record of operations and experienced management will benefit the company going forward, resulting in steady growth in the scale of operations.

Growth in HEMM dealership business and manufacturing business

The HEMM dealership business has grown over the years. The high value equipment like excavator and dozers are the main revenue driver in this dealership business. This increase is due to both, the increase in prices of the equipment and the increase in the number of units sold per year. The HEMM dealership business is expected to grow further with increasing investment in the mining sector across India and most of the heavy equipment of DIPL are used in construction of roads in difficult terrain. Therefore, increasing infrastructure on hilly areas by the Government will benefit DIPL.

The manufacturing business of DIPL has leveraged the relationships of the HEMM and spare parts customers and existing networks to market the manufacturing products across India. Moreover, DIPL also exports the manufacturing products to the neighbouring countries. Therefore, manufacturing sector has seen a growth over the years.

Healthy financial risk profile

The company's financial risk profile is marked by healthy net worth, comfortable gearing and debt protection metrics. The tangible net worth (TNW) of the company stood at Rs.208.37 Cr. as on March 31, 2024(provisional). The gearing of the company stood comfortable at 0.90 times as on March, 2024(provisional) as against 0.68 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 1.34 times as on March 2024(provisional) as against 1.10 times as on March 2023. The debt protection metrics of the company is comfortable marked by Interest Coverage Ratio (ICR) at 2.63 times as on March 2024(provisional), however, the Debt Service Coverage Ratio (DSCR) stood at a moderate level of 1.44 times as on March 31, 2024(provisional). 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 279 days as on March 2024(provisional) as compared to 315 days as on March 2023. The high level of GCA days is primarily on account of improving but high inventory levels during the same period. The inventory holding improved to 217 days in March FY 2024(provisional) as compared to 266 days as on 31st March FY 2023. The management is consciously reducing its inventory levels of spare parts of all brands and models as these are imported and have high lead time leading to bulking up of inventory. The debtor collection has increased and stood moderate to 73 days as on March FY 2024(provisional) as compared from 62 days as on March FY 2023. Acuite believes that the working capital requirement of the company would remain at similar levels for the medium term.

Declining operating profitability

The company has marked a declining trend in operating margin to 9.45 percent in FY 24(provisional) from 10.65 percent in FY 23. The decline has been since the company is not in need of funding requirements, it passed the benefit on it's customers in terms of lower product prices. The ROCE is 10.17 percent in March FY 2024(provisional) as compared to 10.54 percent in March FY 23.

Rating Sensitivities

- Growth in operating income while improving the profitability
- Working capital cycle

Liquidity Position

Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs. 23.23 Cr. as on March, 2024 (provisional) as against long term debt repayment of Rs.10.80 Cr. over the same period. The current ratio declined slightly but stood comfortable at 1.65 times as on March, 2024(provisional) as compared to 1.83 times as on March, 2023. The unencumbered cash and bank balances of the company stood at Rs 2.65 Cr. and the encumbered stood at Rs. 30.50 Cr. as on March, 2024(provisional). The fund-based limit utilization is moderate which stood to 70.50 percent over the 12 months ended March FY 2024(provisional). The company does not have any significant capex plans in the near to medium term. Further the promoters have demonstrated flexibility infuse unsecured loan in the past as and when needed to support the growth in the business. The company also have successfully recovered investments in China and Sri Lanka post winding up the operations. Acuité believes that the financial risk profile of the company is likely to remain healthy over the medium term, in the absence of any major debt funded capex plans.

Outlook: Stable

Acuité 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 the event of significant growth in revenue while improving operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in the event of a decline in revenue or operating margins, a deterioration in the financial risk profile, or a 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.	455.00	386.63
PAT	Rs. Cr.	15.50	11.50
PAT Margin	(%)	3.41	2.97
Total Debt/Tangible Net Worth	Times	0.90	0.68
PBDIT/Interest	Times	2.63	2.89

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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
31 May 2023	Cash Credit	Long Term	12.50	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Cash Credit	Long Term	26.50	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Covid Emergency Line.	Long Term	10.85	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Cash Credit	Long Term	14.00	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Term Loan	Long Term	1.75	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Cash Credit	Long Term	22.00	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Term Loan	Long Term	8.65	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Covid Emergency Line.	Long Term	3.41	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Covid Emergency Line.	Long Term	4.34	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Letter of Credit	Short Term	36.00	ACUITE A2 (Downgraded from ACUITE A2+)
	Letter of Credit	Short Term	27.50	ACUITE A2 (Downgraded from ACUITE A2+)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A2 (Downgraded from ACUITE A2+)
	Letter of Credit	Short Term	8.50	ACUITE A2 (Downgraded from ACUITE A2+)
	Letter of Credit	Short Term	8.00	ACUITE A2 (Downgraded from ACUITE A2+)
	Letter of Credit	Short Term	16.00	ACUITE A2 (Downgraded from ACUITE A2+)
	Letter of Credit	Short Term	27.50	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	12.00	ACUITE A2+ (Assigned)
	Proposed Short Term Bank Facility	Short Term	2.55	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	26.00	ACUITE A2+ (Assigned)
	Proposed Short Term Bank Facility	Short Term	2.40	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	8.50	ACUITE A2+ (Assigned)
	Proposed Short Term Bank Facility	Short Term	2.65	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A2+ (Assigned)
	Proposed Short Term Bank Facility	Short Term	4.71	ACUITE A2+ (Assigned)
		Long		

03 May 2022	Cash Credit	Term	12.50	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	26.50	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1.38	ACUITE A- Stable (Assigned)
	Covid Emergency Line.	Long Term	3.24	ACUITE A- Stable (Assigned)
	Covid Emergency Line.	Long Term	12.50	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	14.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	1.60	ACUITE A- Stable (Assigned)
	Covid Emergency Line.	Long Term	2.16	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	22.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	7.07	ACUITE A- Stable (Assigned)
	Covid Emergency Line.	Long Term	4.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	13.61	ACUITE A- Stable (Assigned)
	Covid Emergency Line.	Long Term	5.13	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A2 Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	39.00	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	10.00	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	14.00	ACUITE BBB+ Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE BBB+ Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2028	Simple	3.92	ACUITE BBB+ Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	Simple	0.72	ACUITE BBB+ Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2026	Simple	2.23	ACUITE BBB+ Stable Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	Simple	1.71	ACUITE BBB+ Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2025	Simple	0.44	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2026	Simple	4.22	ACUITE BBB+ Stable Reaffirmed
Small Industries Development Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2026	Simple	1.57	ACUITE BBB+ Stable Reaffirmed

Small Industries Development Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2025	Simple	5.43	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	27.50	ACUITE A2 Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	36.00	ACUITE A2 Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.50	ACUITE A2 Reaffirmed
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE A2 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE A2 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.66	ACUITE BBB+ Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2030	Simple	3.29	ACUITE BBB+ Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2025	Simple	3.81	ACUITE BBB+ Stable Reaffirmed

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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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