



Press Release
Dollex Agrotech Limited
June 10, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB- Negative Reaffirmed Stable to Negative	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

ACUITE has reaffirmed the long-term rating at '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the bank facilities of Dollex Agrotech Limited (DAL) of Rs.50.00 Crore. The outlook is revised from '**Stable to Negative**'.

Rationale for Outlook Change

The rating reaffirmation considers the established presence of company supported by the extensively experienced promoters. It also takes into consideration the increase in the revenues of the company. The revenue of the group has improved by ~23 percent to Rs.135.49 crore in FY24 as against Rs.110.53 crore in FY23. However, the outlook change from stable to negative factors in the deteriorated financial risk profile of the company due to delay in capital infusion. Further the outlook factors in the continued elongation in working capital operations. The timely completion of capital expenditure and capital infusion will remain key rating monitorables.

About the Company

Dollex Agrotech Limited is based in Indore, Madhya Pradesh. The company was incorporated in 2013 and it is currently promoted by Mr. Vijai Singh Bharaktiya, Mrs. Munni Bee, Mr. Mehmood Khan, Mrs. Khusro Nisar, Mrs. Ruchi Sogani and Mr. Manish Joshi. The company is engaged into trading and manufacturing of sugar and jaggery from its manufacturing plant.

Unsupported Rating

Not applicable.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of Dollex Agrotech Limited (DAL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

DAL incorporated in 2013, is Indore based company originally promoted by Mr. Vijai Singh Bharaktiya, Mrs. Munni Bee, Mr. Mehmood Khan, Mrs. Khusro Nisar, Mrs. Ruchi Sogani and Mr. Manish Joshi who possess over a decade of experience in the sugar industry. The experience of the promoters, has aided the company in forming healthy relations with its customers and farmers. Acuité believes that the company may continue to benefit through the promoter's industry experience and established track record over the medium term.

Improving operating performance

The company witnessed increase in the top-line of the company by 23% in FY24 which stood

at Rs.135.49 Crore as compared to Rs.110.53 Crore in previous year FY23. The revenue of the company is improving on y-o-y basis due to increase in the production. The margins of the company on the contrary showed marginal decline in FY24 which stood at 10.32% against 11.68% in FY23. The PAT margins of the company stood at 5.18% in FY24 against 5.52% in FY23. In previous financial year, the company was running at 98% capacity as the plant was operational for 125 days with an installed capacity of 2500 TCD. Acuite believes that the timely commissioning of ethanol plant and ramp up in production resulting into improved operational profile is a key rating sensitivity.

Weaknesses

Moderated Financial Risk Profile

The financial risk profile of the company is moderate marked by moderate net-worth, gearing and debt protection metrics. The net worth of the company stood at Rs.57.48 Crore as on 31st March 2024 against Rs.49.49 Crore as on 31st March 2023. The increase in the net worth is due to accumulation of profits in reserves. The total debt of the company stood at Rs.100.86 Crore as on 31st March 2024 against Rs.42.92 Crore as on 31st March 2023. Further, the gearing of the company is slightly deteriorated which stood at 1.75 times as on 31st March 2024 against 0.87 times as on 31st March 2023. The TOL/TNW ratio stood at 3.70 times as on 31st March 2024 against 2.39 times as on 31st March 2023. The interest coverage and debt service coverage ratio of the company saw moderation however stood moderate at 4.41 times and 1.68 times respectively as on 31st March 2024 against 5.28 times and 1.65 times respectively as on 31st March 2023. Acuite believes that financial risk profile of the company is likely to see moderation on an account of debt funded capex of Rs.99.29 Crore out of which Rs.86.68 Crore is debt funded and remaining Rs.12.61 Crore is funded through unsecured loans.

Working Capital Intensive Operations

The working capital operations of the company is highly intensive marked by high GCA days which stood at 509 days as on 31st March 2024 against 413 days as on 31st March 2023. The GCA are higher on an account of the increase in the inventory days which stood at 487 days as on 31st March 2024 against 379 days as on 31st March 2023. The inventory days of the company are on higher side on an account of insufficient release of quota. Further, the debtor days of the company stood at 37 days as on 31st March 2024 against 63 days as on 31st March 2023. On the other hand, the creditor days of the company stood at 333 days as on 31st March 2024 against 271 days as on 31st March 2023. Acuite believes that intensive working capital operations of the company is a key rating sensitivity.

Cyclicality associated with sugar industry and susceptibility of profitability to volatility in raw material prices

The operations of DAL are dependent on sugarcane production, which is highly dependent on the monsoon and prices prevailing in the alternative crops such as rice and wheat. The sector is also marked by the presence of several other players which lead to intense competition from the other players. Sugarcane and the other by-products manufactured by the company remain extremely sensitive to fluctuations in commodity prices, thereby impacting the overall revenue and profitability profile of the company. Sugarcane production is highly dependent on the monsoon and fluctuation in FRP (Fair Remunerative Price) will have a bearing on the overall revenue and profitability.

Rating Sensitivities

- Ability to ramp up the production and improvement in the operating performance while maintaining profitability margins.
- Deterioration in working capital cycle leading to deterioration of financial risk profile and stretched liquidity.
- Timely completion and stabilization of ethanol plant

Liquidity Position

Adequate

The liquidity position of the company is adequate. The company have generated net cash

accruals of Rs.9.85 Crore as on 31 st March 2024 against the debt repayment obligation of Rs.Rs.4.55 Crore in the same period. Further, the company is expected to generate sufficient net cash accruals against its debt repayment obligation in the near to medium term. The current ratio of the company stood at 1.55 times as on 31st March 2024 as compared to 1.52 times as on 31st March 2023. The average bank limit utilization of the company stood low at 40.98% in last nine months ending May 2024. The unencumbered cash and bank balance of the company stood at Rs.9.96 Crore as on 31st March 2024.

Outlook: Negative

Acuité has revised the outlook to 'Negative' on account of deterioration in financial risk profile and believes that the same will continue in medium term. The rating may be 'downgraded' in case of further decline in the operating revenues, deterioration in the financial risk profile or delay in commissioning of ethanol plant. The outlook may be revised to 'Stable' in case DAL registers significant growth in its scale of operations while maintaining its profitability and financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	135.49	110.53
PAT	Rs. Cr.	7.02	6.10
PAT Margin	(%)	5.18	5.52
Total Debt/Tangible Net Worth	Times	1.75	0.87
PBDIT/Interest	Times	4.41	5.28

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>
- 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

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
01 Nov 2023	Covid Emergency Line.	Long Term	2.95	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	17.94	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	14.11	ACUITE BBB- Stable (Assigned)
	Warehouse Receipt Financing	Long Term	15.00	ACUITE BBB- 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
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BBB- Negative Reaffirmed Stable to Negative
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	22 Nov 2026	Simple	1.54	ACUITE BBB- Negative Reaffirmed Stable to Negative
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.61	ACUITE BBB- Negative Reaffirmed Stable to Negative
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jan 2028	Simple	6.89	ACUITE BBB- Negative Reaffirmed Stable to Negative
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2026	Simple	4.96	ACUITE BBB- Negative Reaffirmed Stable to Negative
State Bank of India	Not avl. / Not appl.	Warehouse Receipt Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.00	ACUITE BBB- Negative Reaffirmed Stable to Negative

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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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