



Press Release
D R COMMODITIES PRIVATE LIMITED
December 19, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.50	ACUITE BB Stable Assigned	-
Bank Loan Ratings	60.50	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	70.00	-	-

Rating Rationale

Acuite has assigned its long term rating of **ACUITE BB(read as ACUITE double B)** and short term rating of **ACUITE A4+ (read as ACUITE A four plus)** on the Rs 70 Cr bank facilities of D R Commodities Private Limited (DRCPL). The Outlook is 'Stable'.

Rationale for Rating

The rating takes into account the steady growth in the scale of operations of the company. The rating also factors in the experienced management and long track of the company's operations of more than two decades in the industry. Also, the adequate liquidity position of the company further supports the rating. These strengths are, however, offset by moderate financial risk profile characterized by gearing stood at 4.74 times in FY23, susceptibility to intense competition and regulatory risk in the agro commodity industry.

About the Company

Delhi based, D R Commodities Private Limited is incorporated in 2001. The company is involved in wholesale of agricultural raw material such as Castor oil and agro commodities. The company is being managed by Mr. Harish Chawla and Mr. Yudhishther Chawla. The company's has spread its wings covering the markets of Asia, Middle East, Europe, Africa and many more.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken the standalone view on the business and financial risk profile of D R Commodities Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Long standing operations and experienced promoters

The company has over two decades of operational track record in the trading business of agricultural products in domestic and international market. Further, the promoters, Mr. Harish Chawla and Mr. Yudhishther Chawla have an experience of over two decades in the procurement, sorting, processing & distribution of agricultural commodities.

Acuite believes that the long operational track record of D R Commodities Private Limited

and promoters' understanding and expertise will benefit the company going forward, resulting in steady growth in the scale of operations.

Growth in the scale of operations

The company witnessed a significant increase in the revenue marked by Rs.767.70 Crore in FY23 against Rs.465.73 Crore in FY22. The increase in the top-line of the company is on an account of increase in the demand of agro commodities along with increase in the exports opportunities. Company majorly exports in various international markets such as Middle east, Asia, Europe, Africa etc. Acuité believes that the rising export opportunities and sustenance of the regular order pipeline will continue to aid in the growth of the scale of operations of the company in the near term. Further, the EBITDA margins of the company stood at 0.33% in FY23 against -0.45% in FY22. Also, the PAT margins of the company stood at 0.64% in FY23 against 0.30% in FY22. Going forward, the company is estimated to achieve the top-line under the same range as company has achieved approximately Rs.505 Crore till October 2023. Acuité believes that, going forward also, the company is expected to maintain healthy profitability margins.

Weaknesses

Modest Financial Risk Profile

The company's moderate financial risk profile is reflected by modest net worth base, moderate gearing and below average debt protection measures. The tangible net worth of the company increased to Rs.15.80 Cr as on March 31, 2023 from Rs.10.87 Cr as on March 31, 2022 due to accretion of profits. Gearing of the company is deteriorated and stood at 4.74 times as on March 31, 2023 as against 4.44 times in the previous year. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 6.20 times as on March 31, 2023 as against 5.16 times as on March 31, 2022. Moreover, the strong debt protection metrics is marked by Interest Coverage Ratio (ICR) at 3.50 times as on March 31, 2023 and Debt Service Coverage Ratio at 2.27 times as on March 31, 2023. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.07 times as on March 31, 2023. Acuité believes that going forward the financial risk profile of the company is likely to be sustained backed by steady accruals and no major debt funded capex plans.

Working capital Intensive Operations

The working capital operations of the company is intensive marked by GCA days which stood at 142 days as on 31st March 2023 against 154 days as on 31st March 2022. The GCA days are higher on an account of the inventory days which stood at 55 days as on 31st March 2023 against 33 days as on 31st March 2022. However, the average inventory days maintains by the company under the range of 30 days-60 days. Further, the debtor days of the company stood at 50 days as on 31st March 2023 against 65 days as on 31st March 2022 and the average debtor days maintains by the company under the range of 60 days. On the other hand, the creditor days of the company stood at 7 days as on 31st March 2023 against 18 days as on 31st March 2022. Acuité believes that working capital operations of the company is likely to remain in the same range in near to medium term.

Regulatory risk in the agro commodity industry

The price and trade of commodities is highly vulnerable to export restrictions by the government depending on domestic demand-supply scenario and level of inflation. Thus, any adverse change in government policies can affect volumes and margins of the industry players. Being involved in agro-commodity trading, the company also remains exposed to agro-climatic risks, changing crop patterns and the associated cyclicity in the business.

Rating Sensitivities

- Further improvement in operating income along with sustenance of the profitability margins.
- Diversification into other countries for export.
- Elongation in the working capital cycle leading to stretch in liquidity.

All Covenants

None.

Liquidity Position **Adequate**

The Liquidity profile of the company is adequate. The company has generated net cash accruals of Rs.5.02 Crore as on 31st March 2023 against the debt repayment obligations of Rs.0.70 Crore in the same period. The company is expected to generate sufficient net cash accruals against the debt repayment obligations in near to medium term. The current ratio of the company stood at 1.30 times as on 31st March 2023 against 1.54 times as on 31st March 2022. The company's average bank utilization of the fund-based stood at 77.66% for the last seven months ending October 2023. Also, the unencumbered cash and bank balance of the company stood at Rs.2.82 Crore as on 31st March 2023 against Rs.4.52 crore as on 31st March 2022.

Outlook: Stable

Acuité believes that the outlook on company will remain 'Stable' over the medium term on account of the experience of the promoters, long track record of operations, and improvement in the scale of operations. The outlook may be revised to 'Positive' in case the company continues to register consistent growth in revenues while sustaining their profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

Other Factors affecting Rating

Not applicable.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	774.30	471.45
PAT	Rs. Cr.	4.94	1.42
PAT Margin	(%)	0.64	0.30
Total Debt/Tangible Net Worth	Times	4.74	4.44
PBDIT/Interest	Times	3.50	2.05

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.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. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not applicable,

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Standard Chartered Bank	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE A4+ Assigned
ICICI Bank Ltd	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	21.50	ACUITE A4+ Assigned
State Bank of India	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	22.00	ACUITE A4+ Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.73	ACUITE BB Stable Assigned
Standard Chartered Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.77	ACUITE BB Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Depanshi Mittal Analyst-Rating Operations Tel: 022-49294065 depanshi.mittal@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.