



Press Release
DOLLEX AGROTECH LIMITED
November 01, 2023
Rating Assigned

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

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the long term bank facilities of Rs.50.00 crore of Dollex Agrotech limited (DAL). The outlook is '**Stable**'.

Rationale for Rating

The assigned rating reflects the experience of the promoters and track record of operations of the company. The rating also factors in the improvement in business risk profile marked by growth in the revenues in FY23 which stood at Rs.110.53 Crore as against Rs 79.80 Cr in FY22. Further, the financial risk profile of the company is also moderate with a gearing stood below unity as on 31 March, 2023. In addition, the rating also taken into consideration ongoing capital expenditure plan related to set up a Ethanol plant which will provide a stable growth to company in medium term on successful completion and implementation. However, the above mentioned strengths are partly off-set by the intensive working capital operations of the company as the inventory days of the company are elongated in FY23 stood at 379 days as compared to previous year stood at 199 days in FY22 and susceptibility to regulatory changes and fluctuations in sugar prices.

About the Company

Dollex Agrotech Limited is based in Indore, Madhya Pradesh. The company was incorporated in 2013 and it is currently promoted by Mrs. Munni Bee and Mr. Mehmood Khan. 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 Mrs. Munni Bee, Mr. Mehmood Khan 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. Acuite 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 39% in FY23 which stood at Rs.110.55 Crore as compared to Rs.79.80 Crore in previous year (FY22) and Rs.77.48 Crore in FY21. The revenue of the company is improving on y-o-y basis due to increase in the production. Further, the margins of the company have also shown marginal improvement in FY23 which stood at 11.69% in FY23 against 11.48% in FY22. The PAT margins of the company stood at 5.52% in FY23 against 4.10% in FY22. 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. Going forward, the DAL estimated to achieve the top line nearly around Rs.150 Crore by increasing the number of operational days from 125 days to 140 or 150 days with a capacity of 2500 TCD resulting into higher capacity utilization and production along with better margins. Acuite believes that the ability of company to ramp up the production and increase its top line is a key rating sensitivity.

Moderate 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.49.49 Crore as on 31st March 2023 against Rs.26.50 Crore as on 31st March 2022. The increase in the net worth is due to accumulation of profits in reserves and infusion of equity via proceed from IPO of Rs.17.38 Crore. The total debt of the company stood at Rs.42.92 Crore as on 31st March 2023 against Rs.44.47 Crore as on 31st March 2022. The long term debt of the company stood at Rs14.54 Crore, Unsecured loans (non-interest bearing) stood at Rs.18.30 Crore and short term debt of the company stood at Rs.5.53 Crore as on 31st March 2023. Further, the gearing of the company is below unity which stood at 0.87 times as on 31st March 2023 against 1.68 times as on 31st March 2022. The TOL/TNW ratio stood at 2.36 times as on 31st March 2023 against 3.29 times as on 31st March 2022. The interest coverage and debt service coverage ratio of the company stood moderate at 5.28 times and 1.65 times respectively as on 31st March 2023 against 3.62 times and 1.59 times respectively as on 31st March 2022. Acuite believes that financial risk profile of the company is likely to remain in the same range as going forward company is expected to go for debt funded capex related to ethanol plant. However, this risk will be mitigated due to the issuing equity shares by the way of right issue amount not exceeding Rs.49 Crore.

New Capex Plan

The company proposed Capex of 60 KLPD Ethanol plant for a stable business growth. The Company will also raise equity to support the capex plan which will increase the net-worth of the company. The total cost of the project is Rs.99.29 Crore. The capex will be funded through term loans of Rs.86.68 Crore which have been already sanctioned from IREDA in March 2023 and till now the company have made disbursement of Rs.0.25 Crore. Also, the balance will be funded through equity and internal accruals of Rs.12.16 Crore. The project is expected to achieve the commercial date of operations by September 2024.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the company is highly intensive marked by high GCA days which stood at 413 days as on 31st March 2023 against 321 days as on 31st March 2022. The GCA are higher on an account of the increase in the inventory days which stood at 379 days as on 31st March 2023 against 199 days as on 31st March 2022. The government had restricted sugar exports in FY22-23 (Oct-September) and DAL didn't have an OGL (open General License) to further sell-off the inventory, which resulted into stretched inventory days in FY23 and also inventory includes inventory for trading as well. Further, the debtor days of the company stood at 63 days as on 31st March 2023 against 94 days as on 31st March 2022. On the other hand, the creditor days of the company stood at 274 days as on 31st March 2023 against 179 days as on 31st March 2022. 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 in liquidity.
- Timely completion of the proposed capital expenditure will remain a key sensitive factor.

All Covenants

None.

Liquidity Position**Adequate**

The liquidity position of the company is adequate. The company have generated net cash accruals of Rs.8.62 Crore as on 31 st March 2023 against the debt repayment obligation of Rs.Rs.4.24 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 1.52 times as on 31st March 2023 as compared to 1.58 times as on 31st March 2022. The average bank limit utilization of the company stood low at 14% in last twelve months ending June 2023. The unencumbered cash and bank balance of the company stood at Rs.1.06 Crore as on 31st March 2023.

Outlook: Stable

Acuité believes that DAL will maintain 'Stable' outlook over the medium term on account of its experienced management with track record of operations and improving top line. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements

Other Factors affecting Rating

Not applicable.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	110.53	79.80
PAT	Rs. Cr.	6.10	3.27
PAT Margin	(%)	5.52	4.10
Total Debt/Tangible Net Worth	Times	0.87	1.68
PBDIT/Interest	Times	5.28	3.62

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>
- Entities In Manufacturing Sector:- <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 :

Not Available

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	2.95	Simple	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	17.94	Simple	ACUITE BBB- Stable Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	14.11	Simple	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	15.00	Simple	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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