



Press Release

Dhunseri Ventures Limited

September 09, 2020

Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Long Term Bank Facilities	52.50 (reduced from Rs.60 crore)	IVR A + / Stable Outlook (IVR Single A Plus with Stable Outlook)	Reaffirmed
Total	52.50		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Dhunseri Ventures Ltd (DVL; erstwhile Dhunseri Petrochem Limited) continues to derive comfort from its strong promoters with healthy liquidity position marked by liquid investments which is however exposed to market volatility, sound capital structure underpinned by a strong net worth base, assured royalty income along with healthy debt protection parameters. The rating is however tempered by volatility in its operations and risk associated with the investment in IVL Dhunseri Polyester Company S.A.E. (IVLDPC) and cyclical nature of the petrochemical industry.

Rating Sensitivities

Upward Factors:

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis

Downward Factors:

- Decline in operating income and/or profitability on a sustained basis
- Significant increase in pledging of investments to raise debt
- Significant impairment/diminution in value of investments impacting liquidity and/or profitability

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Strong promoters**

Dhunseri group is one of the reputed industrialist groups of Kolkata, headed by Mr. C.K. Dhanuka, who is the Chairman of DVL. He is an industrialist of repute with about four decades of experience in the field of tea and about a decade old experience in



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Petrochemicals. Currently, Mrs. Aruna Dhanuka (Wife of Mr. C. K. Dhanuka) is the Managing director of DVL. The promoters are ably supported by a strong management team which has rich experience in both the industries.

- **Strong liquidity position; however, exposed to market volatility**

The liquidity of the company continued to remain strong, given the sizeable portfolio of its free cash and liquid investments. As on March 31, 2020, DVL had free cash and liquid investment aggregating to ~Rs.286.43 crore (investments in equity shares, mutual funds and cash and bank balance). However, since a sizable portion of its liquid assets are in stock market, it is exposed to stock market related volatility.

- **Sound capital structure underpinned by a strong net worth base**

DVL's reliance on external borrowing has remained low due to its strong liquidity. DVL availed term loan in FY19 to support its acquisition of IVLDPC. However, the capital structure remained comfortable with the overall gearing ratio of 0.13x backed by its robust tangible net worth base of Rs.842.96 crore as on March 31, 2020.

- **Assured royalty income**

DVL is entitled to receive royalty income from IVL Dhunseri Petrochem Industries Pvt Ltd (IVLDPL) and IVLDPC for use of "ASPET" brand owned by DVL. The royalty income is to be based on the sale value of IVLDPL and IVLDPC (excluding the inter-group business). During FY20, DVL earned royalty income of Rs.20.48 crore from IVLDPL and Rs.9.32 crore from IVLDPC.

- **Healthy debt protection parameters**

The debt protection parameters of the company remained healthy as reflected by its comfortable interest coverage ratio of 4.08x and Total debt to GCA at 1.91x respectively in FY20. Further, total indebtedness of the company as reflected by TOL/TNW remained comfortable at 0.07x as on March 31, 2020.

Key Rating Weaknesses

- **Volatility in operation**

Over the years the business of DVL has witnessed structural changes several times due to various mergers and demergers. This has resultant in volatility in its revenues and profitability.

- **Risk associated with the investment in IVLDPC**



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Egypt based IVLDPC (a PET Resin manufacturer), currently a JV with IVL, Thailand, started its operation in 2014. However, due to global slowdown in the sector, the operations of the company stopped around mid-2016. However, in view of stable and encouraging market conditions, the operations in IVLDPC started in August, 2018. In order to support the operations of IVLDPC, DVL has invested ~Rs.184 crore in the company.

- **Cyclical nature of the petrochemical industry**

The global petrochemical industry is historically cyclical and sensitive to changes in supply and demand that are, in turn, affected by political and economic conditions. The international petrochemical markets have witnessed spurt in prices and profit margins in alternating periods driven by limited supply, followed by expansion of production capacity, led to oversupply and reduced profitability. The profitability in the petrochemical industry is affected by the worldwide level of demand along with vigorous price competition. Further, there is a high degree of correlation between the economic growth and the growth in polymer consumption.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Strong

DVL's liquidity profile is strong backed by its robust liquid assets aggregating to ~Rs.508 crore (as on August 31,2020) as compared to its debt obligations. Moreover, its strong accruals are also expected to support its debt obligations.

About the Company

Dhunseri Ventures Ltd. (DVL, erstwhile Dhunseri Petrochem Limited) was initially incorporated as Dhunseri Tea Company Ltd in May, 1916. The Dhanuka group, based out of Kolkata, took over the management of the company in 1955. Currently, DVL is operating as an investment company. Further, it is holding 50% stake in IVL Dhunseri Petrochem Industries Pvt Ltd (IVLDPL) which is a joint venture between the Dhanuka group through DVL and Thailand-based Lohia group through Indorama Ventures Public Limited Company. Currently, the



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revenue profile of DVL comprise rental income, profit on sale of investment of shares & securities, interest/dividend income (revenue from treasury operations) and royalty income from IVLDPL for use of its brand "ASPET". DVL had set-up a PET resin manufacturing facility in Egypt (through its associate IVL Dhunseri Polyester Company S.A.E. (IVLDPC)) and is having 50% stake in IVLDPC with IVL having another 50% stake. The operations have again commenced from August, 2018.

The Dhunseri group is a reputed business group of Kolkata, promoted by Mr. C. K. Dhanuka who is an industrialist of repute with about four decades of experience in the field of tea and about a decade old experience in Petrochemicals.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	788.18	61.15
EBITDA	94.70	22.45
PAT	50.86	17.83
Total Debt	60.49	53.16
Tangible Net worth	875.55	842.96
EBITDA Margin (%)	12.02	36.71
PAT Margin (%)	6.38	28.63
Overall Gearing Ratio (x)	0.13	0.13

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facilities-Term loan	Long Term	52.50	IVR A+/ Stable Outlook	IVR A+/ Stable Outlook (September 20, 2019)	-	-



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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
2.	Short Term Bank Facilities	Short Term	-	-	IVR A1+ (Withdrawn) (September 20, 2019)	IVR A1+ (June 21, 2018)	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Loan	-	-	May 2023	22.50	IVR A+/ Stable Outlook
Long Term Fund Based Limits – Term Loan	-	-	Nov 2022	30.00	IVR A+/ Stable Outlook