



## Press Release

Dodhia Chem-Tex Private Limited

December 08, 2020

### Ratings

Sr. No.	Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Fund based facilities – Term Loans	15.37	IVR BBB- (CE)* (Credit Watch with Developing Implications) (IVR Triple B Minus Credit Enhancement under Credit Watch with Developing Implications)
2	Long Term Fund based facilities – Cash Credit	5.00	IVR BBB- (CE)* (Credit Watch with Developing Implications) (IVR Triple B Minus Credit Enhancement under Credit Watch with Developing Implications)
3	Short Term Non-Fund based facilities – Letter of Credit	2.00	IVR A3 (CE) * (Credit Watch with Developing Implications) (IVR A Three Credit Enhancement under Credit Watch with Developing Implications)
4	Short Term Non-Fund based facilities – Bank Guarantee	1.00	IVR A3 (CE) * (Credit Watch with Developing Implications) (IVR A Three Credit Enhancement under Credit Watch with Developing Implications)
	<b>Total</b>	<b>23.37</b>	

\* CE rating is based on the corporate guarantee given to Dodhia Chem-Tex Pvt Ltd by Flagship Company of Dodhia Group, Dodhia Synthetics Limited

### Detailed Rationale

The ratings assigned to the bank facilities of Dodhia Chem-Tex Pvt Limited (DCT) take into account its established track record of group and experienced promoters, healthy financial risk profile, growing topline due to its nature of business. These are partially offset by its susceptibility to raw material prices, fragmented and intense competition in industry and a limited track record of the company

The rating of the facility is based on corporate guarantee given to Dodhia Chem-Tex Pvt Ltd by Flagship Company of Dodhia Group, Dodhia Synthetics Limited. Considering these attributes results in an enhancement in the rating of the said instrument to IVR BBB-(CE) /A3 under Credit Watch with Developing Implications **against the unsupported rating of IVR BB/Stable/A4+.**



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The outlook has been kept under credit watch with developing implications on account of subdued H1FY2021 financial performance of the group which has been impacted due to COVID -19 pandemic & we shall closely monitor the next H2FY2021 performance

### Key Rating Sensitivities

#### Upward Factors

- Growth in operating income with improvement in margins leading to improvement in cash accruals on a sustained basis
- Improvement in capital structure with improved debt protection metrics

#### Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity on a sustained basis
- Deterioration in the capital structure with overall gearing to more than 2x and/or deterioration in debt protection metrics

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

**Established track record of group and experienced promoters:** The promoters of Dodhia group Mr. Mansukhlala M Dodhia who is founder-chairman along with his brother Mr. Pradeep Dodhia, Managing Director have a long track record of more than three decades in the manufacturing industry. The group is promoted by Dodhia family and is a family owned business. Promoters are supported by the team of experienced & qualified professionals. The group consists of 3 major companies Dodhia Synthetics Limited (DSL) Flagship Company, Vasupujya Filaments (VF) and Dodhia Chem Tex Pvt Ltd (DCT).

**Healthy financial risk profile:** The capital structure of the company is comfortable marked by the adjusted networth of Rs. 19.71 crore and total debt of Rs. 25.66 crore. The gearing is low and is at 1.30x. The debt protection metrics is good as ISCR stood at 2.90x & DSCR at 1.52x as on 31 March 2020,

**Growing topline due to nature of business:** for FY2020, there has been a marginal increase of 3% in the revenue. However the company segment is into manufacturing of



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disinfectants. The current Covid -19 pandemic situation has increased the awareness and the need for disinfecting water bodies in various areas. Hence it is expected to continue to support the demand growth over the medium term. Profitability has increased where Operating margins stood at 24.87% and Profit margins to 6.39% as on FY2020

### **Key Rating Weaknesses**

**Fragmented and Intense competition in industry** – The Company operates in a highly competitive and fragmented industry and is primarily of the unorganised sector, which coupled with moderate client concentration risk limiting bargaining power hence restricting pricing flexibility.

**Limited track record of the company** – The other group companies are in same operation of business whereas Dodhia Chem- Tex Pvt Limited is in Chemical segment. The company has only 3 years of track record in these operations. However due to the guarantee given by Dodhia synthetics limited, flagship company the Dodhia group, DCT has a good back up support for it operations & financial requirements.

**Susceptibility to raw material prices-** Around 48-50% of the raw material consumption was required in FY2020. With the increase in demand of the product, it is expected to increase more. Hence any changes in prices of raw materials will directly impact the profitability of the company

### **Analytical Approach & Applicable Criteria**

Credit Enhancement (CE Rating): DCT has given corporate guarantee given by Flagship Company of Dodhia Group, Dodhia Synthetics Limited

Unsupported Rating: Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity: Adequate**

The company had generated healthy cash accrual of around Rs.9.60 Crore in FY2020 (Prov.) as against repayment obligation of close to Rs. 4.38 crore. The group has availed the



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moratorium as per RBI guidelines. The average CC utilisation stood at around 18% for over the 12 months ended Oct 2020 indicating a moderate liquidity buffer. Furthermore, comfortable gearing position along with moderate cash balances also supports the liquidity to an extent.

### About the Group

Dodhia Group has been engaged in manufacturing of Dyed Polyester Filament Yarn, Fancy Yarn, Speciality Yarn, Airtex Yarn, Interlaced Yarn, Bi-shrinkage Yarn, Plyed Yarn and Twisted Dyed Bundled Yarn for more than 4 decades. Dodhia group consists of 3 major companies Dodhia Synthetics Limited (DSL), Vasupujya Filaments (VF) and Dodhia Chem-Tex Pvt Ltd (DCT).

### About the Company

Dodhia Chem-Tex Pvt Ltd (DCT) is specialized in manufacturing specialty chemicals namely Calcium Hypochlorite which is mainly used for disinfectants purposes and also plastic tubes since August 2017. The plant is situated in village Kudus, Taluka Wada, District Palghar, Maharashtra. The corporate office of the company at Bhandup (W), Mumbai.

### Financials: Consolidated

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	654.60	665.42
EBITDA	67.83	72.74
PAT	23.84	20.78
Tangible Net worth	108.37	124.04
Adjusted Tangible Net worth	162.69	177.23
EBITDA Margin (%)	10.36	10.93
PAT Margin (%)	3.62	3.10
Overall Gearing Ratio (x)	1.52	1.57

\*As per Infomerics Standards



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Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	51.46	53.01
EBITDA	12.06	13.18
PAT	2.40	3.47
Tangible Net worth	3.20	3.20
Adjusted Tangible Net worth	11.49	19.71
EBITDA Margin (%)	23.43	24.87
PAT Margin (%)	4.64	6.39
Overall Gearing Ratio (x)	1.21	1.30

\*As per Infomerics Standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Facility	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
A.	<b>Fund Based Facilities</b>						
1.	Term Loans	Long Term	15.37	IVR BBB- (CE)* (Credit Watch with Developing Implications) (IVR Triple B Minus Credit Enhancement under Credit Watch with Developing Implications)	NA	NA	NA



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Sr. No.	Name of Facility	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	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	Cash Credit	Long Term	5.00	IVR BBB- (CE)* (Credit Watch with Developing Implications) (IVR Triple B Minus Credit Enhancement under Credit Watch with Developing Implications)	NA	NA	NA
<b>B</b>	<b>Non – Fund based Facilities</b>						
3	Letter of Credit	Short Term	2.00	IVR A3 (CE) * (Credit Watch with Developing Implications) (IVR A Three Credit Enhancement under Credit Watch with Developing Implications)	NA	NA	NA
4	Bank Guarantee	Short Term	1.00	IVR A3 (CE) * (Credit Watch with Developing Implications) (IVR A Three Credit Enhancement under Credit Watch with Developing Implications)	NA	NA	NA
<b>Total</b>			<b>23.37</b>				

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**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](http://www.infomerics.com).



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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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### ANNEXURE I

#### 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 facilities – Term Loans	-	-	31-03-2029	15.37	IVR BBB- (CE)* (Credit Watch with Developing Implications) (IVR Triple B Minus Credit Enhancement under Credit Watch with Developing Implications)
Long Term Fund based facilities – Cash Credit	-	-	-	5.00	IVR BBB- (CE)* (Credit Watch with Developing Implications) (IVR Triple B Minus Credit Enhancement under Credit Watch with Developing Implications)
Short Term Non-Fund based facilities – Letter of Credit	-	-	-	2.00	IVR A3 (CE) * (Credit Watch with Developing Implications) (IVR A Three Credit Enhancement under Credit Watch with Developing Implications)
Short Term Non-Fund based facilities – Bank Guarantee	-	-	-	1.00	IVR A3 (CE) * (Credit Watch with Developing Implications) (IVR A Three Credit Enhancement under Credit Watch with Developing Implications)
<b>Total</b>				<b>23.37</b>	

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