

November 04, 2022

## Dhar Coal Products (P) Ltd.: Rating reaffirmed and withdrawn

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based – CC	5.00	5.00	[ICRA]BB+(Stable); reaffirmed and withdrawn
Short Term – Non-fund Based – LC	70.00	70.00	[ICRA]A4+; reaffirmed and withdrawn
<b>Total</b>	<b>75.00</b>	<b>75.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

ICRA has reaffirmed and withdrawn the ratings assigned to the bank facilities of Dhar Coal Products (P) Ltd. (DCPPL) at the request of the company and based on the No Objection Certificate received from the banker, and in accordance with ICRA's policy on withdrawal of credit ratings. The ratings factor in the established track record of the promoters in the coal trading industry and a healthy increase in the company's top line, led by a price rise in imported coal along with demand pick-up post Covid-19. Absolute cash accruals continued to remain healthy at ~Rs. 15.5 crore in FY2022. The same is expected to remain comfortable in FY2023. However, ICRA notes moderation in the company's operating margin in FY2022 and the same is expected in FY2023 with more focus on volumes, forex fluctuation and intense competition. Further, leverage and coverage indicators remained healthy with nil external term loans and minimal capex requirements owing to the nature of business.

The ratings, however, continue to be constrained by the highly fragmented nature of the coal trading business with presence of many organised and unorganised players, which in turn exerts pricing pressure and keeps margins under check. The ratings continue to be further constrained by the company's purchases, which are not entirely order backed, exposing it to price risks as well as forex risks as most of the purchases are imported. Although a large part of its imports is hedged, the company's margins remain exposed to any adverse movement in foreign exchange rates to the extent of its unhedged imports. The ratings also consider the full utilisation of non-fund based limits, which require the company to open new LCs using 100% cash margin. However, enhancement of limits in September 2022 provides comfort.

The Stable outlook on the [ICRA]BB+ rating reflects ICRA's opinion that DCPPL will continue to benefit from the extensive experience of its promoters and established relationships with its major customers.

### Key rating drivers and their description

#### Credit strengths

**Increased scale of operations, comfortable coverage indicators** – DCPPL's top line jumped 114% to Rs. 332.2 crore on account of a price rise in imported coal along with demand pick-up post Covid-19. The growth is expected to continue in FY2023. Further, leverage and coverage indicators remained healthy with nil external term loans and minimal capex requirements owing to the nature of business.

**Experienced promoters in the coal trading industry** – DCPPL's promoters have extensive experience in the coal trading business resulting in established relationships with suppliers in countries such as Indonesia and South Africa. It has also developed healthy relationships with its customers, ensuring repeat orders from its major clients.

#### Credit challenges

**Susceptibility to fluctuations in demand and intense competition** – The company's profitability remains restricted due to the trading nature of business with low value addition. DCPPL further faces intense competition from organised and unorganised traders, which limits its pricing flexibility and bargaining power with customers. Further, the company's purchases are not entirely order backed, which exposes it to price risks.

**Exposure to foreign exchange rate fluctuations** – DCPPL mainly trades in coal imported from Indonesia and South Africa etc. This exposes the company to risks associated with foreign currency fluctuations. Although a large part of its imports is hedged, DCPPL's margins remain exposed to any adverse movement in foreign exchange rates to the extent of its unhedged imports

## Liquidity position: Adequate

DCPPL's liquidity is adequate, strengthened by the enhancement in the bank LC limits. The company has no long-term repayment and usually maintains free FDs apart from 100% margin, which is required for opening LCs. Free cash and bank balances (including unencumbered FDs) stood at around Rs. 58 crore as on October 28, 2022. Further, the company's LC utilisation remains high, and it often has to use LCs at 100% cash margins.

## Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – Not applicable

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Policy on withdrawal of credit ratings</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

Incorporated in 1991, DCPPL is a Madhya-Pradesh based company, promoted by Mr. Parasmal Deshlehra and his family. The company trades in steam coal of various grades. It is a part of the Deshlehra Group, which was established in 1985. DCPPL renders services to the end users in power, steel, paper, sugar and other allied sectors by importing coal from Indonesia and South Africa.

## Key financial indicators (audited)

	FY2021	FY2022
Operating income	154.9	332.2
PAT	8.3	15.4
OPBDIT/OI	7.2%	5.6%
PAT/OI	5.4%	4.6%
Total outside liabilities/Tangible net worth (times)	2.2	2.5
Total debt/OPBDIT (times)	0.7	0.6
Interest coverage (times)	5.2	9.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; DCPPL has adopted Ind AS 116 for leases which created lease liability and impacted the leverage and coverage metrics from FY2020 onwards; however, the adjusted numbers remain healthy.

Note: All calculations are as per ICRA Research

## Status of non-cooperation with previous CRA:

Acuité in August 2021 has upgraded and withdrawn the long-term rating of 'ACUITE BB-' (read as ACUITE double B minus) and withdrawn the short term rating of 'ACUITE A4' (read as ACUITE A four) on the Rs.55.00 Cr. bank facilities of the company

CRISIL in February 2018 has migrated the ratings on the bank facilities of the company to 'CRISIL BB/Stable/CRISIL A4+' ISSUER NOT COOPERATING' from 'CRISIL BB/Stable/CRISIL A4+'.

## Any other information: None

### Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31,2022 (Rs. crore)	Date & Rating in November 4,2022	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
1	Long Term – Fund-based Cash Credit	Long term	5.00	-	[ICRA]BB+(Stable) Withdrawn	[ICRA]BB+(Stable)	[ICRA]BB+(Stable)	-
2	Short Term – Non-fund Based Letter of Credit	Short Term	70.00	-	[ICRA]A4+ Withdrawn	[ICRA]A4+	[ICRA]A4+	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund-based Cash Credit	Simple
Short Term – Non-fund Based Letter of Credit	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Long Term – Fund-based Cash Credit	-	-	-	5.00	[ICRA]BB+(Stable) Withdrawn
Short Term – Non-fund Based Letter of Credit	-	-	-	70.00	[ICRA]A4+ Withdrawn

Source: Company

#### Annexure II: List of entities considered for consolidated analysis: Not Applicable

## ANALYST CONTACTS

Jayanta Roy  
+91-33-71501100  
[jayanta@icraindia.com](mailto:jayanta@icraindia.com)

Priyesh Ruparelia  
+91-22- 61693328  
[priyesh.ruparelia@icraindia.com](mailto:priyesh.ruparelia@icraindia.com)

Sumit Jhunjhunwala  
+91-33- 7150 1111  
[sumit.jhunjhunwala@icraindia.com](mailto:sumit.jhunjhunwala@icraindia.com)

Prerna Aggarwal  
+91-124-3341380  
[prerna.aggarwal1@icraindia.com](mailto:prerna.aggarwal1@icraindia.com)

## RELATIONSHIP CONTACT

Jayanta Chatterjee  
+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.