

Rating Advisory

February 04, 2020 | Mumbai

Dynemic Products Limited

Advisory as on February 04, 2020

This rating advisory is provided in relation to the rating of Dynemic Products Limited

The key rating sensitivity factors for the rating include:

- Sustained order flow and profitability
- Working capital management
- Capital expenditure (capex) plans and its funding mix

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Dynemic Products Limited (DPL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If DPL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About The Company

DPL was set up by Mr Bhagwandas Patel, Mr Dashrat Patel, Mr Ramesh Patel, and Mr Dixit Patel in 1990. It manufactures food colours, lake colours, and dyes, which are mainly used in the food, cosmetic, and pharmaceutical industries. The company has two manufacturing plants in Ankleshwar (Gujarat).

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Rating Rationale

November 28, 2018 | Mumbai

Dynemic Products Limited

Rating Reaffirmed; FD withdrawn

Rating Action

Total Bank Loan Facilities Rated	Rs.32 Crore
Long Term Rating	CRISIL BBB/Stable (Reaffirmed)

Rs.1 Crore Fixed Deposits	FA-/Stable (Withdrawn)
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1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BBB/Stable' rating on the long term bank facilities of Dynemic Products Limited (DPL) and **withdrawn** its 'FA-/Stable' rating on the fixed deposit (FD) programme upon the company's request and repayment of FDs.

The rating continues to reflect the promoters' extensive experience in the food colour and dye industry, and DPL's healthy financial risk profile. These strengths are partially offset by modest scale of operations, and susceptibility to intense competition and volatility in raw material prices.

Given the sizeable capital expenditure (capex) to be undertaken in the medium term, ramp up and timely stabilisation of operations will remain key rating sensitivity factors.

Key Rating Drivers & Detailed Description

Strengths:

* **Promoters' extensive experience:** Benefits from the promoters' experience of two decades, and healthy relationships with customers and suppliers should continue to support the business. Customers include reputed players such as Mondelez India Foods Ltd and Nestle India Ltd ('CRISIL AAA/Stable/CRISIL A1+').

* **Healthy financial risk profile:** Financial risk profile is marked by moderate network and low gearing of 0.27 time and Rs 92 crore, respectively, as on March 31, 2018. Gearing is likely to remain below 0.8 time over the medium term despite the ongoing debt-funded capex. Debt protection metrics are healthy - with interest coverage and net cash accrual to total debt ratios of 26.4 times and 0.75 time, respectively, in fiscal 2018 - on account of moderate profitability and low gearing.

Weaknesses

* **Average, though improving, scale of operations:** The company clocked a turnover of Rs.163 crore in fiscal 2018 which had remained constrained around Rs.130 cr amidst intense competition. Over the medium term, the turnover is expected to rise once the increased production capacity becomes operational.

* **Susceptibility to volatility in raw material prices, and to intense competition:** Exposure to the risk of volatility in raw material prices (including gas) and intense competition persists. Operating margin has remained volatile at 11-19% in the five fiscals through March 2018 due to decline in raw material prices and increase in revenue from exports.

Outlook: Stable

CRISIL believes DPL will continue to benefit from the extensive experience of its promoters. The outlook may be revised to 'Positive' if timely stabilisation of operations post the capex, significant increase in revenue, and stable profitability strengthen cash accrual. The outlook may be revised to 'Negative' if low inflow of orders, pressure on profitability, delay in capex, or stretch in working capital cycle weakens financial risk profile, especially liquidity.

About the Company

DPL was set up by Mr Bhagwandas Patel, Mr Dashrat Patel, Mr Ramesh Patel, and Mr Dixit Patel in 1990. It manufactures food colours, lake colours, and dyes, which are mainly used in the food, cosmetic, and pharmaceutical industries. The company has two manufacturing plants in Ankleshwar (Gujarat).

Key Financial Indicators

As on/for the period ended March 31	Unit	2018	2017
Revenue	Rs crore	163	128
Profit After Tax (PAT)	Rs crore	18	13.5
PAT Margins	%	10.7	10.6
Adjusted Debt/Adjusted Networkth	Times	0.27	0.33
Interest coverage	Times	26.4	16.84

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Rating assigned with outlook
NA	Export Finance Limit	NA	NA	NA	31.00	CRISIL BBB/Stable
NA	Term Loan	NA	NA	31-Mar-2019	1.00	CRISIL BBB/Stable
NA	Fixed Deposit	NA	NA	NA	1.00	Withdrawn

Annexure - Rating History for last 3 Years

Current				2018 (History)		2017		2016		2015		Start of 2015
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fixed Deposits	FD	1.00	Withdrawn	07-05-18	FA-/Stable	28-12-17	FA-/Stable	14-11-16	FA-/Stable	30-11-15	FA-/Stable	FA-/Stable
				26-04-18	FA-/Watch Developing					28-09-15	FA-/Stable	
										27-08-15	FA-/Stable	
Fund-based Bank Facilities	LT/ST	32.00	CRISIL BBB/Stable	07-05-18	CRISIL BBB/Stable	28-12-17	CRISIL BBB/Stable	14-11-16	CRISIL BBB/Stable	30-11-15	CRISIL BBB/Stable	CRISIL BBB/Stable
				26-04-18	CRISIL BBB/Watch Developing					28-09-15	CRISIL BBB/Stable	
										27-08-15	CRISIL BBB/Stable	

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Export Finance Limit	31	CRISIL BBB/Stable	Export Finance Limit	31	CRISIL BBB/Stable
Term Loan	1	CRISIL BBB/Stable	Term Loan	1	CRISIL BBB/Stable
Total	32	--	Total	32	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

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