

April 15, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|-----------------------------|-----------------------|---------------------------|
| Term Loan – I | 2.15 | SMERA B/Stable (Assigned) |
| Term Loan – II | 1.63 | SMERA B/Stable (Assigned) |
| Term Loan (proposed) | 2.00 | SMERA B/Stable (Assigned) |
| Cash Credit | 3.40 | SMERA B/Stable (Assigned) |
| Cash Credit (proposed) | 0.60 | SMERA B/Stable (Assigned) |
| Letter of Credit | 0.50 | SMERA A4 (Assigned) |
| Letter of Credit (proposed) | 0.50 | SMERA A4 (Assigned) |

SMERA has assigned a long-term rating of **‘SMERA B’ (read as SMERA single B)** and a short-term rating of **‘SMERA A4’ (read as SMERA A four)** to the abovementioned bank facilities of Deccan Plast Industries (DPI). The outlook is **‘Stable’**. The ratings are constrained by the firm’s short track record of operations and stretched liquidity position. The ratings are also constrained by the firm’s weak financial profile. However, the ratings draw comfort from the firm’s experienced management. The ratings are also supported by the strong revenue growth registered by the firm.

DPI, established in 2010, is a Mangalore-based partnership firm engaged in manufacturing of plastic moulded furniture, material handling plastic crates and plastic household products. DPI’s stretched liquidity position is reflected in high utilisation (~98 per cent) of cash credit limit during October 2014 to February 2015. The firm’s working capital cycle is stretched at 110 days in FY2013–14 (78 days in the previous year). DPI’s weak financial risk profile is marked by high gearing (debt-to-capital ratio) of 2.58 times as on March 31, 2014. The firm’s operating profit margin declined to ~10.38 per cent in FY2013–14 from ~12.15 per cent in FY2012–13. DPI’s net profit margin has declined to ~1.60 per cent in FY2013–14 from ~3.21 per cent in FY2012–13.

DPI benefits from its experienced management. Mr. B. H. Asgar Ali, managing partner of DPI, has around two decades of experience in the plastic industry. DPI’s revenues increased at a strong growth rate of ~69 per cent to Rs.13.61 crore in FY2013–14 from Rs.8.04 crore in FY2011–12.

Outlook: Stable

SMERA believes DPI will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to ‘Positive’ in case the firm registers sustained improvement in profitability and financial risk profile. Conversely, the outlook maybe revised to ‘Negative’ in case of deterioration in the firm’s profitability, working capital management and financial risk profile.

About the firm

DPI, established in 2010, is a Mangalore-based partnership firm engaged in manufacturing of plastic moulded furniture, material handling plastic crates and plastic household products. The overall operations of the firm are managed by Mr. B. H. Asgar Ali.

For FY2013–14, DPI reported profit after tax (PAT) of Rs.0.22 crore on operating income of Rs.13.65 crore, as compared with PAT of Rs.0.38 crore on operating income of Rs.11.83 crore in FY2012–13. The firm's net worth stood at Rs.2.40 crore as on March 31, 2014, as compared with Rs.2.14 crore a year earlier.

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