May 23, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loan - I	**2.15**	**SMERA B+/Stable (Upgraded from SMERA B/Stable)**
Term Loan – II	**1.63**	**SMERA B+/Stable (Upgraded from SMERA B/Stable)**
Term Loan - III	**2.00**	**SMERA B+/Stable (Upgraded from SMERA B/Stable)**
Cash Credit	**4.00**	**SMERA B+/Stable (Upgraded from SMERA B/Stable)**
Letter of Credit	**1.00**	**SMERA A4 (Reaffirmed)**

SMERA has upgraded the long term rating on the above mentioned bank facilities of Deccan Plast Industries (DPI) to **'SMERA B+' (read as SMERA B plus)** from 'SMERA B' (read as SMERA B) and reaffirmed the short term rating at **'SMERA A4' (read as SMERA A four).** The outlook is **'Stable'.**

The upgrade reflects improvement in DPI's business risk profile, primarily driven by consistent growth in revenue and improvement in operating profit margin. The ratings continue to draw comfort from the firm's experienced management. However, the ratings are constrained by the short track record of operations, moderate financial risk profile and working capital intensive operations. The ratings also factor in the susceptibility of profit margins to fluctuations in raw material prices.

Update

DPI reported revenue of Rs.16.96 crore in FY2014-15 (refers to financial year, April 01 to March 31) as compared with Rs.13.65 crore in FY2013-14. The operating margin improved to 11.33 per cent in FY2014-15 as compared to 10.38 per cent in FY2013-14 and net profit margin improved to 3.39 percent in FY2014-15 from 1.60 percent in FY2013-14. The financial risk profile continues to remain moderate marked by high gearing (debt to capital) ratio of 2.46 times as on March 31, 2015. The operations of DPI are working capital intensive as reflected in its stretched working capital cycle that stands at 103 days in FY2014-15.

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' if the firm registers healthy growth in revenues while achieving sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in its financial risk profile.

Rating Sensitivity Factors

- Scalability of operations while maintaining profitability
- Efficient working capital management

About the Firm

DPI is a Mangalore-based partnership firm established in 2010. Promoted by Mr. B.H. Asgar Ali, the firm is engaged in the manufacturing of plastic moulded furniture, material handling plastic crates and house hold items.

For FY2014-15, DPI reported profit after tax (PAT) of Rs.0.58 crore on operating income of Rs.16.96 crore, as compared with PAT of Rs.0.22 crore on operating income of Rs.13.65 crore in the previous year.

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