

March 19, 2016

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>15.00</b>	<b>SMERA B+/ Stable (Reaffirmed)</b>
<b>Term Loan I</b>	<b>0.55</b>	<b>SMERA B+ /Stable (Reaffirmed)</b>
<b>Term Loan II</b>	<b>1.05</b>	<b>SMERA B+ /Stable (Reaffirmed)</b>
<b>Term Loan III</b>	<b>3.96</b>	<b>SMERA B+ /Stable (Reaffirmed)</b>
<b>Term Loan IV</b>	<b>6.38</b>	<b>SMERA B+/Stable (Assigned)</b>
<b>Term Loan V</b>	<b>9.78</b>	<b>SMERA B+/Stable (Assigned)</b>
<b>Bank Guarantee</b>	<b>0.24</b>	<b>SMERA A4 (Reaffirmed)</b>
<b>Letter of Credit*</b>	<b>16.00</b>	<b>SMERA A4 (Assigned)</b>
<b>Inland Letter of Credit</b>	<b>6.50</b>	<b>SMERA A4 (Reaffirmed)</b>

\*Sublimit is cash credit up to Rs. 10.00 crore

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA B plus**) and '**SMERA A4**' (read as **SMERA A four**) on the abovementioned Rs.32.16 crore bank facilities and reaffirmed the ratings of '**SMERA B+**' (read as **SMERA B plus**) and '**SMERA A4**' (read as **SMERA A four**) on the Rs.27.30 crore bank facilities of Dharranee Roofing Plant Private Limited (DRPPL). The outlook is '**Stable**'. The ratings derive comfort from the healthy revenue growth, moderate financial risk profile and experienced management. However, the ratings are constrained by the working capital intensive nature of operations and volatility in raw material prices.

SMERA has combined the business and financial risk profiles of Dharranee & Co and Dharranee Roofing Plant Private Limited, together referred to as the Dharranee Group. The consolidation is in view of the common ownership and operational linkages within the group.

## Update

The company has taken two additional term loans worth Rs.6.38 crore and Rs.9.78 crore for expansion of installed capacity. The new plant is situated at Coimbatore and commercial operations are expected to commence from July 2016. The networth of the group has increased from Rs.13.43 crore as on March 31, 2014 to Rs. 15.37 crore as on March, 2015.

## Rating Sensitivity Factors

- Scaling up of operations and improvement of margins
- Capital expenditure impacting capital structure

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.

**Outlook: Stable**

SMERA believes that DRPPL will continue to benefit over the medium term from its promoters' extensive experience in the manufacturing and trading of roofing sheets. The outlook may be revised to 'Positive' in case of significant and sustained increase in its revenues and profitability margins, while improving the capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in DRPPL's revenues or profitability margins or in case of elongation in its working capital cycle resulting in weakening of its financial risk profile.

**About The Group**

The Dharranee Group is engaged in the manufacturing and trading of roofing sheets. The group began operations in 1992 through a proprietorship concern - Dharranee and Co. promoted by Mr. M. Ravindran. Later, in 2013, DRPPL was established to manufacture roofing sheets.

For FY2014-15, the group reported profit after tax (PAT) of Rs.0.77 crore on operating income of Rs.70.25 crore as compared with PAT of Rs.0.61 crore on operating income of Rs.56.53 crore for FY2013-14. On standalone basis, DRPPL reported PAT of Rs.0.58 crore on operating income of Rs.56.34 crore in FY2014-15 as compared to Rs.0.44 PAT on operating income of Rs.37.32 crore in FY2013-14.

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