

Press Release

21 July, 2017



Dharranee Roofing Plant Private Limited (DRPPL)

Rating Assigned and Reaffirmed

Total Bank Facilities Rated *	Rs.59.46 Cr
Long Term Rating	SMERA B+/ Outlook: Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.32.73 crore bank facility and assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.3.91 crore bank facility. Further, SMERA has reaffirmed the short term rating of '**SMERA A4**' (**read as SMERA A4**) on the Rs.22.82 crore bank facility of Dharranee Roofing Plant Private Limited (DRPPL). The outlook is '**Stable**'.

Dharranee Roofing Plant Private Limited (DRPPL) was incorporated by Mr. M. Ravindran in 2013. The company is engaged in the manufacture of roofing sheets and has installed capacity of 150,000 tonnes per annum. The current utilisation is ~65 percent.

Key Rating Drivers

Strengths

• Experienced management

Mr. M. Ravindran, Director, has more than two decades of experience in the manufacturing and trading of roofing sheets. The firm was started as a proprietorship concern - Dharranee and Co in 1992.

• Moderate financial risk profile

DRPPL's has moderate financial risk profile marked by moderate gearing of 1.86 times as on 31 March, 2017 (Provisionals) compared to 2.46 times as on 31 March, 2016. The Interest coverage ratio stood at 1.34 times for FY2017 (Provisional) as against 1.52 for FY2016. The DSCR stood low at 1.08 times for FY2017 (Provisional) as against 1.09 times for FY2016. The networth (including quasi equity) stood at Rs.17.91 crore as on 31 March, 2017 as against Rs. 12.33 crore in the previous year. Further, SMERA believes that the financial risk profile will remain at a moderate level.

Weaknesses

• Working capital intensive operations

The working capital of DRPPL is intensive marked by high Gross Current Asset (GCA) days of 369 for FY2017 (Provisional). This is majorly due to the company's capacity of holding high inventory during the year. The inventory days stood at 319 as on 31 March, 2017. The creditor days are stretched in FY2017 and stood at 148.

- **Highly fragmented and competitive industry**

DRPPL is vulnerable to the inherent cyclical nature in the industry. Besides, fluctuations in the prices of major raw material viz. aluminium, steel, iron can affect profitability margins. The company is also exposed to intense competition in the non-ferrous metal industry from organised as well as unorganised players.

Analytical Approach

SMERA had considered the consolidated business and financial risk profiles of Dharranee Roofing Plant Private Limited and Dharranee and Co. to arrive at the rating last year. But, this year SMERA has taken into account the standalone business and financial risk profiles of Dharranee Roofing Plant Private Limited to arrive at the rating because the other entity, i.e., Dharranee and Co. has not been compliant with SMERA's withdrawal policy and has been marked Issuer Non Cooperative.

Outlook: Stable

SMERA believes that DRPPL will maintain a stable outlook and continue to benefit from the extensive experience of its management. The outlook may be revised to 'Positive' if the firm is able to scale up operations and maintain profitability. Conversely, the outlook may be revised to 'Negative' in case of fall in revenues, profitability or if the firm undertakes debt funded capex.

About the Rated Entity - Key Financials

The firm reported Profit after Tax (PAT) of Rs. 0.73 crore on operating income of Rs. 58.90 crore in FY2017 (Provisional) compared to PAT of Rs. 0.58 crore on operating income of Rs. 62.30 crore in the previous year. The net worth (Quasi included) stood at Rs. 17.91 crore as on 31 March, 2017 (Provisionals) as against Rs. 12.33 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Mar, 16	Cash Credit	Long Term	15.00	SMERA B+ / Stable (Reaffirmed)
	Term Loan I	Long Term	0.55	SMERA B+ / Stable (Reaffirmed)
	Term Loan II	Long Term	1.05	SMERA B+ / Stable (Reaffirmed)
	Term Loan III	Long Term	3.96	SMERA B+ / Stable (Reaffirmed)
	Term Loan IV	Long Term	6.38	SMERA B+ / Stable (Assigned)
	Term Loan V	Long Term	9.78	SMERA B+ / Stable (Assigned)
	Bank Guarantee	Short Term	0.24	SMERA A4 (Reaffirmed)
	Letter of Credit^	Short Term	16.00	SMERA A4 (Assigned)
	Inland Letter of Credit	Short Term	6.50	SMERA A4 (Reaffirmed)
23-Jul, 15	Term Loan	Long Term	0.61	SMERA B+ / Stable (Upgraded)
	Term Loan	Long Term	4.27	SMERA B+ / Stable (Upgraded)
	Term Loan	Long Term	1.15	SMERA B+ / Stable (Upgraded)
	Cash Credit	Long Term	13.00	SMERA B+ / Stable (Upgraded)
	Letter of Credit	Short Term	4.00	SMERA A4 (Upgraded)
	Bank Guarantee	Short Term	0.27	SMERA A4 (Upgraded)
	Proposed Cash Credit	Long Term	2.00	SMERA B+ / Stable (Upgraded)
	Proposed Letter of Credit	Short Term	2.50	SMERA A4 (Upgraded)
13-Mar, 15	Cash Credit	Long Term	13.00	SMERA D (Assigned)
	Term Loan	Long Term	6.03	SMERA D (Assigned)
	Letter of Credit	Short Term	4.00	SMERA D (Assigned)
	Proposed Cash Credit	Long Term	2.00	SMERA D

			(Assigned)
Proposed Letter of Credit	Short Term	2.50	SMERA D (Assigned)
Bank Guarantee	Short Term	0.27	SMERA D (Assigned)

[^]Sublimit is cash credit upto Rs.10.00 crore

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B+/Stable (Reaffirmation)
Term loans IV	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B+/Stable (Reaffirmation)
Term loans V	Not Applicable	Not Applicable	Not Applicable	9.76	SMERA B+/Stable (Reaffirmation)
Term loans I	Not Applicable	Not Applicable	Not Applicable	0.48	SMERA B+/Stable (Reaffirmation)
Term loans III	Not Applicable	Not Applicable	Not Applicable	2.20	SMERA B+/Stable (Reaffirmation)
Term loans II	Not Applicable	Not Applicable	Not Applicable	0.29	SMERA B+/Stable (Reaffirmation)
Term loans VI	Not Applicable	Not Applicable	Not Applicable	0.23	SMERA B+/Stable (Assigned)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	3.68	SMERA B+/Stable (Assigned)
Foreign letter of credit/Inland letter of credit ^{\$}	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA A4 (Reaffirmed)
Inland letter of credit	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA A4 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.32	SMERA A4 (Reaffirmed)

^{\$}Sublimit is cash credit up to Rs. 10.00 crore

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ABOUT SMERA

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