

## Press Release

**Dharranee Roofing Plant Private Limited**

September 25, 2018



### Rating Downgraded

<b>Total Bank Facilities Rated*</b>	Rs. 59.46 Cr.
<b>Long Term Rating</b>	ACUITE D (Downgraded from ACUITE B+/Stable)
<b>Short Term Rating</b>	ACUITE D (Downgraded from ACUITE A4)

\* Refer Annexure for details

### Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE B+**' (read as **ACUITE B plus**) and the short term rating to '**ACUITE D**' from (read as **ACUITE D**) from '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 59.46crore bank facilities of Dharranee Roofing Plant Private Limited (DRPPL).

DRPPL was incorporated by Mr. M. Ravindran in 2013. The company is engaged in manufacturing of ERW tubes, pre-engineered building and roofing sheets. The company has installed capacity of 1,80,000 tonnes per annum. The current utilisation is 40 percent.

Downgrade in the rating is attributed to delay in servicing of principal and interest payments of term loans during the last three months.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of DRPPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

- **Experienced management**

DRPPL was started as a proprietorship concern - Dharranee and Co in 1992. Later, it was reconstituted as DRPPL in 2013. The promoter possesses more than two decades of experience in the engineering industry.

Acuité believes that DRPPL will continue to benefit from its experienced management which will help the company to maintain long standing relations with its customers based out in Tamil Nadu and Kerala and suppliers like Steel Authority of India, Jindal Steels and Essar Steels.

#### Weaknesses

- **Delay in debt servicing**

The rating reflects delays in servicing of debt obligations. There have been instances of delay in servicing of principal and interest payments of term loans during the last three months.

- **Average financial risk profile**

The financial risk profile is average marked by tangible net worth of Rs.18.62 crore as on 31 March, 2018 (Provisional) as against Rs.17.34 crore in the previous year. The gearing stood average at 2.44 times as on 31 March, 2018 (Provisional) as against 2.80 times in the previous year. The total debt of Rs.45.46 crore includes term loan from bank of Rs.17.90 crore, working capital borrowings of Rs.25.42 crore and unsecured loan of Rs.2.13 crore. Interest Coverage Ratio (ICR) stood at 1.48 times in FY2018 (Provisional) as against 1.43 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood high at 3.44 times as on 31 March, 2018 (Provisional) as against 3.76 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.06 times in FY2018 (Provisional) compared to 0.05 times in FY2017.

Going forward, Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

- **Working capital intensive operations**

The company's operations are working capital intensive marked by high Gross Current Assets (GCA) of 263

days in FY2018 (Provisional) as compared to 244 days in FY2017. The GCA days are mainly dominated by high inventory holding of 132 days in FY2018 (Provisional) compared to 110 days in FY2017. The collection period stood high at 91 days in FY2018 (Provisional) compared to 86 days in FY2017. Further, working capital is supported by high creditor days of 97 days in FY2018. Average cash credit utilisation stood ~95 percent.

Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	71.34	79.17	62.30
EBITDA	Rs. Cr.	8.86	7.90	5.65
PAT	Rs. Cr.	1.27	0.94	0.58
EBITDA Margin	(%)	12.42	9.98	9.07
PAT Margin	(%)	1.79	1.18	0.93
ROCE	(%)	11.75	11.76	10.53
Total Debt/Tangible Net Worth	Times	2.44	2.80	3.05
PBDIT/Interest	Times	1.48	1.43	1.52
Total Debt/PBDIT	Times	4.97	5.78	6.86
Gross Current Assets (Days)	Days	263	244	292

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

None

#### Any other information

None

#### Applicable Criteria

- Default Recognition -<https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities -<https://www.acuite.in/view-rating-criteria-4.htm>

#### Note on complexity levels of the rated instrument

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

#### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-Jul-2017	Cash Credit	Long Term	15.00	ACUITE B+/Stable (Reaffirmed)
	Term Loan-IV	Long Term	5.00	ACUITE B+/Stable (Reaffirmed)
	Term Loan-V	Long Term	9.76	ACUITE B+/Stable (Reaffirmed)
	Term Loan-I	Long Term	0.48	ACUITE B+/Stable (Reaffirmed)
	Term Loan-III	Long Term	2.20	ACUITE B+/Stable (Reaffirmed)
	Term Loan-II	Long Term	0.29	ACUITE B+/Stable (Reaffirmed)
	Term Loan-VI	Long Term	0.23	ACUITE B+/Stable (Assigned)
	Proposed Long Term Loan	Long Term	3.68	ACUITE B+/Stable (Assigned)

	Letter of Credit	Short Term	16.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	6.50	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	0.32	ACUITE A4 (Reaffirmed)
19-Mar-2016	Cash Credit	Long Term	15.00	ACUITE B+/Stable (Reaffirmed)
	Term Loan-I	Long Term	0.55	ACUITE B+/Stable (Reaffirmed)
	Term Loan-II	Long Term	1.05	ACUITE B+/Stable (Reaffirmed)
	Term Loan-III	Long Term	3.96	ACUITE B+/Stable (Reaffirmed)
	Term Loan-IV	Long Term	6.38	ACUITE B+/Stable (Assigned)
	Term Loan-V	Long Term	9.78	ACUITE B+/Stable (Assigned)
	Letter of Credit	Short Term	0.24	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	16.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	6.50	ACUITE A4 (Reaffirmed)
23-Jul-2015	Cash Credit	Long Term	13.00	ACUITE B+/Stable (Upgraded)
	Term Loan	Long Term	0.61	ACUITE B+/Stable (Upgraded)
	Term Loan	Long Term	4.27	ACUITE B+/Stable (Upgraded)
	Term Loan	Long Term	1.15	ACUITE B+/Stable (Upgraded)
	Letter of Credit	Short Term	4.00	ACUITE A4 (Upgraded)
	Bank Guarantee	Short Term	0.27	ACUITE A4 (Upgraded)
	Proposed Cash Credit	Long Term	2.00	ACUITE B+/Stable (Upgraded)
	Proposed Letter of Credit	Short Term	2.50	ACUITE A4 (Upgraded)
13-Mar-2015	Cash Credit	Long Term	13.00	ACUITE D (Assigned)
	Term Loan	Long Term	6.03	ACUITE D (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE D (Assigned)
	Bank Guarantee	Short Term	0.27	ACUITE D (Assigned)
	Proposed Cash Credit	Long Term	2.00	ACUITE D (Assigned)
	Proposed Letter of Credit	Short Term	2.50	ACUITE D (Assigned)

**\*Annexure – Details of instruments rated**

<b>Name of the Facilities</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. Cr.)</b>	<b>Ratings/Outlook</b>
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE D (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.12	ACUITE D (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	9.83	ACUITE D (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.15	ACUITE D (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.28	ACUITE D (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.12	ACUITE D (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.15	ACUITE D (Downgraded)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	4.99	ACUITE D (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE D (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE D (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.32	ACUITE D (Downgraded)

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