

Press Release

Durlax Archtech Private Limited (DAPL)

12 January, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.29.20 Cr
Long Term Rating	SMERA B+/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned rating of '**SMERA B+**' (read as **SMERA B plus**) to the above mentioned bank facility of Durlax Archtech Private Limited (DAPL). The outlook is '**Stable**'. The company is engaged in the trading of decorative solid sheets and industrial chemicals such as emulsions and adhesives.

List of key rating drivers and their detailed description

Strengths:

Experienced management: DAPL, incorporated in 2010 was promoted by Mr. Shravan Suthar, Mr. Amit Vyas, Mr. Laxmichand L. Suthar and others who possess over two decades of experience in the cast polymer industry. The company is engaged in the trading of decorative solid sheets and industrial chemicals such as emulsions and adhesives.

Healthy growth rate in operating income: DAPL operates on a moderate scale and registered healthy revenue growth with CAGR of 32.49 percent in FY2014-16 on account of increase in order book value. The revenue increased from Rs.29.87 crore in FY2014-15 to Rs.33.46 crore in FY2015-16. The company booked revenue of Rs.18.00 crore from April – November 2016 (Provisional).

Weaknesses:

Project implementation and offtake risk: DAPL plans to set up a facility for manufacture of solid surface sheets (installed capacity 51250 sheets per annum) and solid surface adhesives (600000 pieces per annum) at Valsad, Gujarat at a total cost of Rs.36.80 crore. The project is expected to be funded by a term loan of Rs.24.20 crore and promoters' contribution of Rs.8.60 crore. The operations are expected to commence from March 2017. Notwithstanding the benefits, the project is likely to put pressure on the coverage indicators of the company.

Fluctuating operating profitability: The operating profit margins have shown a fluctuating trend over the years at 7.28 per cent in FY2013-14 which increased to 9.89 per cent in FY2014-15 and declined to 8.49 percent in FY2015-16. The unevenness is on account of fluctuation in prices of decorative solid sheets and adhesives imported from South Korea, China among others.

Moderate financial risk profile: DAPL has a moderate financial risk profile marked by low net worth of Rs.4.74 crore as on March 31, 2016. The gearing stands at 1.41 times as on 31 March, 2016 as compared to 2.52 times in the previous year. The company plans to enhance its bank limits to fund its project and incremental working capital requirements. Thus, the financial risk profile will continue to remain moderate in the medium term.

Foreign exchange fluctuation risk: The profit margins are susceptible to foreign exchange fluctuation risk as the company imports 100 per cent of its finished goods such as decorative solid sheets and adhesives from global manufacturers based in South Korea, China among others.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of Durlax Architech Private Limited to arrive at the abovementioned rating.

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that DAPL will maintain a stable outlook in the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if its scale of operations increases substantially while maintaining operating profitability and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded capex/working capital requirements.

About the Company

DAPL, incorporated in 2010, is a Mumbai-based company that trades in decorative solid sheets and adhesives used in seamless countertop installations in the kitchen, exterior building façades, wall cladding among others.

In FY2015-16, the company reported profit after tax (PAT) of Rs.1.19 crore on operating income of Rs.33.48 crore against PAT of Rs.1.44 crore on operating income of Rs.529.87 crore in the previous year. The net worth stood at Rs.4.74 crore as on 31 March 2016 as against Rs.2.84 crore as on 31 March 2015.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument/ Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	24.20	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Cash Credit	LT	5.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	N.A.	N.A.	March 2018	24.20	SMERA B+/Stable (Assigned)
Cash Credit	N.A.	N.A.	N.A.	5.00	SMERA B+/Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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